

FOR REGISTRATION
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DECLARATION
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DECLARATION

FOR

751 SOUTH

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF
THE UNITED STATES OF AMERICA AND/OR THE FLAG OF THE STATE OF
NORTH CAROLINA**

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY
OF POLITICAL SIGNS**

Prepared by and hold after recording for:
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STATE OF NORTH CAROLINA
COUNTY OF DURHAM

**DECLARATION
FOR 751 SOUTH**

THIS **DECLARATION FOR 751 SOUTH** is made this 27th day of MARCH, 2018 by **751 South, Inc.**, a North Carolina corporation, hereinafter referred to as the "Declarant";

WITNESSETH:

WHEREAS, the Declarant is the owner of the real property described on **Exhibit A** attached hereto and incorporated by reference and referred to herein as the "Property", is intended to be developed as a proposed development presently named "751 South";

AND WHEREAS, the Declarant desires to develop 751 South as a community with a mixture of residential, commercial and recreational uses including large and small scale retail, dining, office, medical office, residential apartments, multi-family residential, single family detached residential, single family attached residential and the like, and wishes to establish and declare this Declaration with respect to the Property, in order to protect the value and desirability of the Property by providing for development thereof in accordance with a common plan, and to provide for Maintenance of certain shared facilities;

AND WHEREAS, although the Declarant contemplates that separate easements, covenants and restrictions (which may or may not be similar to those herein contained) may be imposed by the Declarant with respect to the various elements of the Property, and that separate homeowners or property owners associations may (but shall not be required to) be established for one or more of the various elements of the Property, the Declarant desires to impose pursuant hereto certain easements, covenants and restrictions, and to establish certain rights for, and impose certain obligations upon, the Owners of the Property;

NOW, THEREFORE, the Declarant hereby subjects to this Declaration the Property as described on **Exhibit A**, and hereby declares that all of the Property (as herein defined) shall be owned, held, transferred, sold, conveyed, donated, dedicated, leased, encumbered, occupied and used subject to the terms, covenants, restrictions, easements, affirmative obligations, assessments, charges and liens hereinafter stated, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and preserving the values and amenities (if any) in the Property (this Declaration constituting no obligation, promise or representation of the Declarant or any other Person to provide any Recreation Facility or amenity in the Property, or to or for the Owners of the Property, except as specifically stated herein), and all of which shall run with the Property and all parts thereof and shall be binding on and inure to the benefit of each Owner of the Property or any part thereof.

**ARTICLE I
DEFINITIONS**

The following words and terms, when used in this Declaration or any amendment hereto, or any Supplemental Declaration or Subdivision Declaration, unless amended or unless the context clearly indicates otherwise, are defined as follows (terms and words used herein without definition shall have the meanings, if any, specified therefor in the "Definitions" section of the Act). The Declarant, during the Development Period, and thereafter, the Board, has the authority to resolve any and all conflicts, disputes or questions regarding the following definitions:

(a) "Act" is defined as the "North Carolina Planned Community Act", currently contained in Chapter 47F of the North Carolina General Statutes, and including all amendments, supplements and replacements as enacted from time to time.

(b) "Additional Property" is defined as all real property subjected to or annexed to this Declaration subsequent to the recording of this Declaration in the Registry, either by Supplemental Declaration or by merger or consolidation, as provided herein.

(c) "Affiliate" is defined as any Person directly or indirectly controlling, or controlled by or under common control with, the Declarant. "Control", in the context of this definition of affiliate, is defined as the power to direct management and policies, directly or indirectly, whether through the ownership of voting securities or rights, by contract, or otherwise, and the terms "controlled" and "controlling" are included within such definition.

(d) "Articles" is defined as the Articles of Incorporation of the Association, including all duly adopted amendments thereto.

(e) "Association" is defined as 751 South Community Association, Inc., a North Carolina nonprofit corporation to serve as the Association under this Declaration, and its successors and assigns.

(f) "Board" is defined as the Board of Directors of the Association. The Board is responsible for the management and administration of the Association. Unless a vote of the Members of the Association is required therefor, or unless otherwise specifically provided in applicable Legal Requirements, all rights, powers, easements, functions, services, obligations and duties of the Association shall be performed, determined not to be performed, directed or authorized on behalf of the Association by the Board (or, where appropriate, by the officers of the Association).

(g) "Builder" is defined as a Person, other than the Declarant, who is regularly in the business of constructing Dwellings on real property for resale to other Persons, and who purchases or becomes the Owner of one or more Lots or Development Parcels in the Property for the purpose of constructing thereon one or more Dwellings for resale to other Persons. A "Builder selected by Declarant" is any Builder under contract with 751 South, Inc. during the Declarant Control Period.

(h) "Bylaws" is defined as the Bylaws of the Association as they may now or hereafter exist, including all duly adopted amendments thereto.

(i) "City" is defined as the City of Durham, North Carolina, the County of Durham, North Carolina, the State of North Carolina, the United States of America and all other governmental entities and quasi-governmental entities that have jurisdiction over the Property, whichever governmental entity or entities is/are applicable.

(j) "Common Area" or "Common Property" or "Common Elements" (the terms being used interchangeably herein) is defined as all real property and Improvements thereon owned by the Association for the use, enjoyment or benefit of the Members of the Association, and all rights in and to all easements in or on real property, together with all associated Improvements in or on such easements, granted to or reserved by or on behalf of the Association (or by or on behalf of the Declarant for later transfer or assignment to the Association) for the use, enjoyment or benefit of the Members of the Association. Common Property typically will be established by an instrument or plat recorded in the Registry, and identified in such

instrument or plat as "Common Area", "Common Property", "Private Street", "Private Open Space", "Common Open Space", "Open Space", "Buffer", "Trail" or some other, similarly descriptive term. Common Property also includes all "Landscape Easements", "Sign Easements" and "Landscaped Rights-of-Way" as defined herein. Common Property also includes all Limited Common Property, which is a sub-classification of Common Property. All private streets owned by, or under the jurisdiction of, a Sub-Association are the Sub-Association Common Property of that Sub-Association.

(k) "Common Expenses" is defined as: (i) expenses of Maintenance of the Common Property, including repair, restoration and replacement thereof as well as the cost of utilities in the operation of the Common Properties; (ii) expenses declared to be or described as Common Expenses by the provisions of this Declaration; (iii) ad valorem property taxes and public assessments, if any, levied against the Common Property or other assets of the Association; (iv) premiums for hazard, liability or other insurance insuring the Association, the Common Property or other Association assets; (v) all other expenses incurred by the Association in performing its functions and providing services under this Declaration, including Association operating, management and administrative expenses, and unexpected contingencies; (vi) costs of the fixed asset capital Improvements constructed or placed in any Common Property, any part of the Property, or required to be installed outside the Property and which also benefit the Property and (vii) expenses determined by the Board to be Common Expenses of the Association.

(l) "Contiguous" is defined as including all of the following: adjacent to; across a river and stream from; across a public or private street right of way from; separated from by an easement; separated from by Common Property; and separated from by property owned by the City.

(m) "Declarant" is defined as 751 South, Inc., a North Carolina corporation, its successors and assigns.

(n) "Declarant Control Period" is defined as the period of time beginning at the time of recording of this Declaration in the Registry and ending on the first to occur of the following:

(i) the later of 5:00 p.m. on the date that is twenty-five (25) years following the date of recordation of this Declaration in the Registry, or 5:00 p.m. on the date that is twenty-five (25) years following the date of recordation in the Registry of the most recent Supplemental Declaration signed by the Declarant subjecting Additional Property to this Declaration (provided, however, once the Declarant Control Period has ended because of the expiration of one of the foregoing time periods, the recordation thereafter of a Supplemental Declaration subjecting Additional Property to this Declaration shall not reinstate the Declarant Control Period; further provided, however, if the Declarant is delayed in the development of the Property as the result of a sanitary sewer, water or building permit moratorium, or as the result of some other cause or event beyond the Declarant's control, then the applicable time period shall be extended by the amount of time of the delay, up to a maximum total extension time of three (3) years); or

(ii) the end of the Development Period, except that Declarant's right to extend the Development Period solely for the purposes set forth in Article I(q), regarding appointment of the Architectural Approval Committee or approving Plans pursuant to Article X of this Declaration, shall not extend the Declarant Control Period.

(o) "Declarant Property" is defined as all of the real property described on **Exhibit B** attached hereto and incorporated by reference.

(p) "Declaration" is defined as this Declaration for 751 South, and all duly adopted and recorded amendments hereto and Supplemental Declarations annexing Additional Property.

(q) "Development Period" is defined as the period of time from the date of recordation of this Declaration in the Registry through and including the date of the first of the following to occur: (i) the later of the last date on which the Declarant owns any portion of the Property, or the date of release of the last bond (or letter of credit or other, similar financial guarantee) posted by the Declarant with the City in connection with the Declarant's development of the Property; or (ii) the date that is twenty (20) years following the date of recordation of this Declaration in the Registry. Provided, however, for the sole purpose of appointing the Architectural Approval Committee or approving Plans pursuant to Article X of this Declaration for initial Improvements on the Property, Declarant may extend the Development Period until all such initial Improvements have been completed. If Declarant wishes to extend the Development Period for such purpose, it shall notify the Association in writing of such extension prior to the time that the Development Period otherwise would terminate under the terms of this paragraph. Notwithstanding the foregoing, as to any Builder selected by Declarant, Declarant will provide approval of all matters included within the definition of "Plans".

(r) "Duly Called Meeting of the Association" is a meeting of the Association which has been called, and with respect to which notice has been given, in accordance with the Governing Documents and all applicable Legal Requirements; "present", in the context of meetings of the Association, means present in person, or represented by proxy meeting all applicable requirements of the Governing Documents and the Legal Requirements, or present by mailed ballot (when allowed) meeting all applicable requirements of the Governing Documents and the Legal Requirements; "notice", in connection with an annual meeting of the Association, shall include notice of the date, time and place of the meeting and not less than a summary description of all proposed amendments to this Declaration and all extraordinary actions of the Association that require approval by the Members; "notice", in connection with a special meeting of the Association, shall include notice of the date, time and place of the meeting and not less than a summary description of all matters to be voted upon at the special meeting. No business shall be conducted at a meeting of the Members of the Association unless such meeting is a Duly Called Meeting of the Association. References in this Declaration to meetings of the Members of the Association are deemed to refer to Duly Called Meetings of the Association.

(s) "Dwelling Unit" or "Dwelling" is defined as a building (or portion thereof) physically arranged to create an independent housekeeping establishment with separate facilities for cooking, sleeping, and toilet. An "Apartment Unit" is defined as a Dwelling Unit in a building located on a Development Parcel or Un-subdivided Land which contains one or more other Apartment Units, and which Apartment Units primarily are occupied or intended for occupancy by tenants or sub-tenants of the Owner of the building in which such Apartment Units are located. Provided, however, the foregoing definition shall not preclude the Owner of the building in which such Apartment Units are located from living in one of the Apartment Units in that building. A "Proposed Apartment Unit" is any portion of the Property that is proposed to be developed as an Apartment Unit as shown on the Master Plan or any applicable Subdivision Plan. An "Attached Dwelling Unit" is defined as a Dwelling Unit, excluding an Apartment Unit that is located in a building which contains one or more other Attached Dwelling Units, excluding Apartment Units. Attached Dwelling Units may include condominiums and townhomes, and each Attached Dwelling Unit is located on a Lot as the term Lot is defined herein. Typically, each Attached Dwelling Unit in a building is separately owned. A "Detached Dwelling Unit" is defined as a Dwelling Unit located on a Lot in a building which contains only one Dwelling Unit, or which contains only one Dwelling Unit plus a "utility apartment" meeting all applicable Legal

Requirements and approved by the Architectural Approval Committee, in its sole discretion (provided, however, the foregoing definition is not intended to preclude garages or other Improvements associated with a Detached Dwelling Unit as approved by the Architectural Approval Committee). A condominium or townhome development may include Detached Dwelling Units, if such developments contain one or more buildings in which only one (1) Dwelling Unit is located. A "utility apartment" is a portion of a Detached Dwelling Unit that complies with all of the following requirements: (i) it physically is part of the Detached Dwelling Unit or part of an attached or detached garage that has been approved by the Architectural Approval Committee; (ii) the Dwelling Unit is occupied by the Owner of the Lot on which it is located; (iii) the utility apartment contains a floor area not in excess of 1/4 of the gross floor area of the Dwelling Unit (including the utility apartment); and (iv) the utility apartment is not occupied by more than two (2) individual Persons. The Declarant recognizes that there may be types of housing that do not precisely fit into the foregoing definitions of Detached Dwelling Unit, Attached Dwelling Unit or Apartment Unit. Accordingly, the Declarant, during the Development Period, and thereafter, the Board, has the authority to resolve any and all conflicts, disputes or questions as to whether a Dwelling Unit is a Detached Dwelling Unit, an Attached Dwelling Unit or an Apartment Unit for purposes of this Declaration.

(t) "Property" is defined as the real property subjected to this Declaration as described in Article II and on **Exhibit A** attached hereto and incorporated by reference.

(u) "Governing Documents" is defined as this Declaration, all applicable Supplemental Declarations and Subdivision Declarations, the Articles and the Bylaws.

(v) "Durham City Code" is defined as the ordinances of the City of Durham, as they from time to time exist. References in this Declaration to specific sections of the Durham City Code refer to such sections as they exist on the date of recordation of this Declaration in the Registry.

(w) "Improvement" or "Improvements" is defined as the vertical improvements (including any utility apartment) on a Lot, the Apartment Units on a Development Parcel or Unsubdivided Land, and all other improvements on any portion of the Property, including any one or more of the following: Dwelling Units and other buildings and structures (including exterior materials, colors, sizes, and architectural styles); decks; patios; fountains; motor vehicle parking areas; storage areas; recreational areas, equipment and facilities; mailboxes; exterior antennae, dishes or other apparatus to receive or transmit television or radio or microwave or other signals; fences; walls; hedges; mass plantings and other landscaping; street trees; poles; driveways; ponds; lakes; clearing, grading and other site preparation; swimming pools; signs; illumination; roads, streets, alleys, traffic improvements (both on and off the Property) and all other exterior improvements. The definition of Improvements includes both initial Improvements and all subsequent changes and additions to existing Improvements, and "initial Improvements" are all of the Improvements constructed on all portions of the Property through the time of issuance of a certificate of occupancy by the City for the Dwelling(s) or building(s) thereon.

(x) "include" or "including" is defined as being inclusive of, but not limited to, the particular examples described.

(y) "Intended Use" or "Intended For Use" is defined as the use proposed for a particular portion of the Property as shown on the Master Plan or on an applicable Subdivision Plan. The Intended Use shown on an applicable Subdivision Plan controls over the Intended Use shown on the Master Plan. After the Declarant conveys title to a portion of the Property, no modification by the Declarant of the Master Plan's Intended Use therefor shall be effective unless such modification is (i) consented to by an Owner of such portion of the

Property, or (ii) conforms the Master Plan to the then applicable Subdivision Plan for such portion of the Property.

(z) "Landscape Easement" is defined as a type of Common Property consisting of an area within or Contiguous to the Property that is reserved or established as an easement of the Association for the use, enjoyment or benefit of the Members of the Association and for the Maintenance therein of any one or more of the following: plants, trees, flowers, bushes, other landscaping materials, fencing, signs, lighting equipment, irrigation equipment and other associated equipment and apparatus. A Landscape Easement may be established or reserved by notation on a plat recorded in the Registry or by written document recorded in the Registry.

(aa) "Landscaped Right-of-Way" is defined as a median or other area within a publicly dedicated street right-of-way or private street right-of-way in or Contiguous to the Property that the Association has agreed to Maintain or is required to Maintain under the terms of this Declaration.

(bb) "Legal Requirement" is defined as any duly adopted and applicable law, ordinance, regulation or requirement of the United States of America, the State of North Carolina, the City of Durham, the County of Durham, North Carolina, or any other governmental entity or quasi-governmental entity or agency having jurisdiction over the portion of the Property, including any branch, department or division of any of the foregoing governmental and quasi-governmental entities.

(cc) "Limited Common Area" or "Limited Common Property" (the terms being used interchangeably herein) is defined as a type of Common Property that is established by the Declarant or the Association for the benefit of a particular phase, section, subdivision, Development Parcel or Lot located within the Property and which has been designated by the Declarant or the Association, whichever has established same, as Limited Common Property. There may be Limited Common Property in or on one or more elements, Development Parcels or Lots located within the Property. Limited Common Property is separate and distinct from Sub-Association Common Property.

(dd) "Limited Common Expenses" is defined as all of those expenses of the types included within the term Common Expenses that are related solely and specifically to Limited Common Property. The Limited Common Expenses shall be paid for solely by those Members of the Association who own portions of the Property located in the particular phase, section or subdivision of the Property, or who own the particular Development Parcel or Lot for or on which, the associated Limited Common Property has been established.

(ee) "Maintain", "Maintaining", "Maintained", "Maintenance" or any substantially similar term used in this Declaration, is defined to include any one or more of the following, as the context requires: construction, reconstruction, installation, maintenance, upkeep, cleaning, renewal, alteration, repair, replacement, repainting, remodeling, restoration, removal, improvement, administration, operation, use, planting, mowing, cutting, trimming, pruning, fertilizing, watering and preservation.

(ff) "Master Association" is defined as the Association. In those portions of the Properties where Sub-Associations exist, the Association shall be considered the Master Association.

(gg) "Master Plan" is defined as the most current version of the drawing approved by the Declarant that depicts the conceptual plan for development of the Property. The Declarant shall provide the Association with a copy of the Master Plan in effect on the date of recordation of this Declaration in the Registry and with a copy of each subsequently revised Master Plan.

(hh) "Member" is defined as each Owner, with the membership of each Owner in the Association being as described herein.

(ii) "mortgage" or "deed of trust" (the terms being used interchangeably herein) is defined as any mortgage, deed of trust or other instrument that creates a security interest in real property, and includes all acts required to create such security interests.

(jj) "Mortgagee" means an institutional lender (one or more commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies, pension funds or business trusts (including real estate investment trusts), any other lender regularly engaged in financing the purchase, construction or improvement of real property, or any assignee of loans made by such lender, or any combination of any of the foregoing entities) which holds a first lien deed of trust encumbering a Lot, Development Parcel or Unsubdivided Land, and also including, with respect to the Declarant, any Person who holds a security interest in the ownership interest of any member, shareholder or partner of the Declarant. Only for the purposes of the notice and inspection rights contained in this Declaration in the portions hereof dealing specifically with Mortgagees, amendment of this Declaration and termination of this Declaration, the term "Mortgagee" shall also include the Federal Housing Administration (FHA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the Department of Veterans Affairs (VA), the Government National Mortgage Association (GNMA) and any other public or private secondary mortgage market agency participating in purchasing, guaranteeing or insuring mortgages which has notified the Board of such participation in writing (each of whom generically is referred to herein as a "Secondary Mortgage Market Agency"). Where the approval of Mortgagees is required, such approval means: (i) written approval; (ii) any written waiver of approval rights; (iii) a letter stating no objection; or (iv) presumptive approval if a Mortgagee does not respond to a notice from the Association requesting approval by notifying the Association, in the manner required herein for giving notices, within sixty (60) days after the Association gives notice to the Mortgagee of the request for approval.

(kk) "Owner" is defined as the owner of record as shown in the Registry, including the Declarant, whether one or more Persons, of fee simple title to any portion of the Property, but excluding those having an interest in the foregoing as a result of a contract, option to purchase, or as security for an obligation.

(ll) "Person" is defined as any natural person, corporation, partnership, limited liability company, association, trust or other legal entity.

(mm) "Plans" is defined as the plans and specifications for a proposed Improvement showing (where applicable) the size, shape, dimensions, exterior materials, exterior finishes and colors, location on the applicable portion of the Property, driveway, parking, provisions for storm water drainage, decorative landscape planting and other decorative landscaping features, floor plans and elevations, and other items specified from time to time in any applicable architectural guidelines.

(nn) "Property Classifications". The various portions of the Property subjected to this Declaration shall be classified as one of the following (Note: The Property Classification of one or more portions of the Property may change from time to time as plats thereof are re-recorded in the Registry or as otherwise provided herein - for example, when Exempt Property ceases to be Exempt Property. During the Development Period the Declarant, in its sole discretion (and thereafter, the Board), has the authority to resolve any question or dispute regarding the Property Classification of any part or all of the Property):

(1) "dedicated public street right of way" (or "publicly dedicated street right of way", or "public street", the terms being used interchangeably herein) is defined as any portion of the Property that has been dedicated to public use as a street by the Owner thereof (and not in violation of this Declaration), either by the recordation of a plat in the Registry, or in such other manner as required or allowed by the City. Following any street closing of any dedicated public street right of way, the portions of the Property formerly subject to such dedicated public street right of way shall be reclassified to the same classification as the adjoining portions of the Property of which it becomes a part.

(2) "Development Parcel" is defined as any portion of the Property that meets all of the following requirements: (i) is owned by a Person other than the Declarant or the Association; and (ii) is not a Lot or Exempt Property. Within thirty (30) days after recording, each Owner of a Development Parcel shall furnish to the Association a copy of each plat of that Development Parcel as recorded in the Registry (including plats related to the establishment of a condominium).

(3) "Exempt Property" is defined as all portions of the Property included within any one or more of the following:

- a) All Common Property (which may include Recreation Facilities);
- b) All Sub-Association Common Property and Sub-Association Limited Common Property (which may include Recreation Facilities);
- c) All property owned by the City;
- d) All property within publicly dedicated street rights of way;
- e) All Recreation Facilities designated as Exempt Property by the Declarant during the Development Period (and thereafter, by the Association);
- f) All of the following designated as Exempt Property by the Declarant during the Development Period (and thereafter, by the Association): well sites used as part of a community or common potable water system for one or more portions of the Property; places of worship; public libraries; fire stations; rescue squads; post offices; schools; and any other non-residential publically owned community facilities which the Declarant (during the Development Period and thereafter, the Association) may designate as Exempt Property;

Provided, however, and notwithstanding anything to the contrary in this Declaration, no Lot, Development Parcel or Unsubdivided Land shall be exempt from any of the terms and provisions of this Declaration unless and until it becomes Exempt Property as provided herein. The Association may not change the designation of any portion of the Property that has been designated as Exempt Property by the Declarant during the Development Period, unless the Owner of such Exempt Property consents in writing. Exempt Property is not subject to any assessments under this Declaration. Except for the City, which shall not be a Member of the Association, Owners of Exempt Property shall be non-voting Members of the Association.

Notwithstanding anything to the contrary contained herein, until such time, as any, as it loses its Exempt Property status, all of the following Exempt Property is exempt from all of the terms and provisions of this Declaration, except for any easements over such Exempt Property reserved in this Declaration by or for the Declarant, the Association, the City or any other Person: (i) all Exempt Property owned by the City, and (ii) all Exempt Property within publicly dedicated street rights of way.

All Exempt Property that loses its status as Exempt Property - for example, property within a publicly dedicated street right of way that has been closed as a public street, property formerly owned by the City which has been conveyed to an Owner, or a Recreation Facility that no longer is being used as a Recreation Facility shall be reclassified as a Lot, Development Parcel, or Unsubdivided Land, as appropriate, and shall be subject to all of the terms and provisions of this Declaration in the same manner and to the same extent as other Lots, Development Parcels or Unsubdivided Land.

(4) "Lot" is defined as any portion of the Property which is intended for the construction and use thereon pursuant to the applicable zoning classification for that Lot, which may be either a commercial development, a Detached Dwelling Unit or an Attached Dwelling Unit, but not an Apartment Unit, and is shown as a separate numbered or lettered parcel, lot or unit on any plat recorded in the Registry, including plats recorded in connection with the filing of any declaration of condominium. With respect to Attached Dwelling Units, typically there will be multiple Lots in one building. A "Proposed Lot" is defined as any portion of the Property that is proposed to be developed as a Lot and is shown on the Master Plan or on the most current Subdivision Plan of that portion of the Property as a separate numbered or lettered parcel or unit, but which is not shown as a Lot on any plat recorded in the Registry. A "Townhome Lot" is a Lot that is occupied by (or intended to be occupied by) an Attached Dwelling Unit that is not an Apartment Unit or condominium. A "Single Family Lot" is a Lot that is occupied by (or intended to be occupied by) a Detached Dwelling Unit. A "Commercial Lot" is defined as any Lot developed with a commercial building (for use as office, retail or restaurant) and may or may not include residential uses;

(5) "Sub-Association Common Property" is defined as portions of the Property owned or Maintained by a Sub-Association for the use or benefit of its members. All private streets owned by, or under the jurisdiction of, a Sub-Association are the Sub-Association Common Property of that Sub-Association. "Sub-Association Limited Common Property" is defined as a type of Sub-Association Common Property that is established for the benefit of a particular phase, section, subdivision, Development Parcel or Lot located within portion of the Property with which the Sub-Association is associated.

(6) "Unsubdivided Land" is defined as all portions of the Property owned by the Declarant that are not Lots or Exempt Property. Following the end of the Declarant Control Period, all Unsubdivided Land shall be treated in the same manner as Development Parcels for purposes of assessments and voting under this Declaration

(oo) "Recreation Facility" is defined as any portion of the Property devoted primarily to recreational uses or purposes, including all Improvements associated therewith. Examples of a Recreation Facility are a swimming pool and pool deck, fitness center, clubroom and associated kitchen, and business facility, walking trail, playground, community farm, campsites, and outdoor entertainment facilities. A Recreation Facility may, but shall not be required to be, Common Property or Sub-Association Common Property. The term

"Recreation Facility" does not include recreational equipment or facilities on a Lot for the use and benefit of the Owner of the Lot or such Owner's family members, guests or lessees.

(pp) "Registry" is defined as the office of the Register of Deeds for Durham County, North Carolina, or any successor office in which deeds, plats, easements, mortgages and deeds of trust are recorded.

(qq) "Sign Easement" is defined as a type of Common Property consisting of an area within or Contiguous to the Property that is reserved or established as an easement of the Association for the Maintenance therein of any one or more of the following for the use, enjoyment or benefit of the Members of the Association: signs and associated landscaping materials, fencing, lighting equipment, irrigation equipment and other associated equipment and devices. A Sign Easement may be established or reserved by a notation on a plat recorded in the Registry or by a written document recorded in the Registry.

(rr) "Sub-Association" is defined as a North Carolina nonprofit corporation (or other legal entity allowed for such purposes by applicable Legal Requirements) for the purpose of owning, managing and/or Maintaining that Sub-Association's Common Property (including, with respect to a condominium, its common elements). The term Sub-Association includes a property owners association for a townhome and a condominium unit owners association. Any and all assessments imposed upon the Members of the Association by the documents establishing or governing a Sub-Association or subjecting the applicable portion of the Property thereto shall be in addition to any and all assessments imposed upon such Members of the Association by this Declaration.

(ss) "Subdivision Plan" is defined as the most current development plan approved by the City for any portion of the Property, including a subdivision plan, site plan, group housing plan or cluster unit development plan. When two or more Subdivision Plans are approved for the same portion of the Property (for example, a phase or section within a cluster unit development), the most current and most specific plan controls.

(tt) "the Property" is defined as the Property, together with all Additional Property, but excluding any portion of the Property withdrawn from this Declaration as allowed herein.

(uu) "City of Durham" means the City of Durham located in Durham County, North Carolina.

ARTICLE II THE PROPERTIES; ANNEXATION AND WITHDRAWAL

Section 1. Property Made Subject To Declaration. The Property described on **Exhibit A** attached hereto and incorporated by reference is hereby subjected to this Declaration.

Section 2. Annexation of Additional Property by the Declarant. At any time during the Development Period the Declarant may, but shall not be required to, annex (or subject, the words being used interchangeably in the context of adding to the Property) to this Declaration the following: (i) any portion of the Declarant Property; (ii) any real property that once was part of the Property and has been withdrawn from this Declaration; (iii) any other real property Contiguous to any part of the Property or the Declarant Property, and/or (iv) or such other land as Declarant or shareholder or member of Declarant owns as of the date of this Declaration or may hereinafter acquire, and which property is deemed in the sole determination of Declarant to be part of the common development plan of the Property. Except as otherwise provided herein, annexation shall be effected only after recordation of a Supplemental Declaration as described herein.

Section 3. Annexation of Other Additional Property. If the Declarant desires to annex real property to the Declaration that is not of a type described in the immediately preceding Section 2, or if the Declarant desires to annex real property to this Declaration after the end of the Development Period, or if a Person other than the Declarant desires to subject real property to this Declaration, such real property may be subjected to this Declaration only after approval of the proposed annexation by the affirmative vote of sixty-seven percent (67%) or more of the votes cast by the Members present at a Duly Called Meeting of the Association (and, during the Declarant Control Period, including a majority of the votes cast at such Duly Called Meeting of the Association by the Members other than the Declarant), and recordation in the Registry of a Supplemental Declaration signed by the owner of such real property, the appropriate officers of the Association and by the Declarant during the Declarant Control Period.

Section 4. Supplemental Declaration. Each Supplemental Declaration shall be effective to annex Additional Property to this Declaration only upon recordation in the Registry, and the effective date of such annexation shall be the later of the date specified therein, if any, or the date of recordation of the Supplemental Declaration. Each Supplemental Declaration shall describe the Additional Property annexed and shall reference this Declaration. A Supplemental Declaration need not be in any specific form and need not be titled Supplemental Declaration (for example, it may be contained in a deed from the Declarant conveying the real property being annexed), but it shall clearly indicate the intention to subject such real property to this Declaration. Any Supplemental Declaration may specify such use restrictions and may contain such other terms, covenants, restrictions, easements, affirmative obligations, assessments, charges and liens, not inconsistent with this Declaration, as the Person annexing such real property to this Declaration may determine, which provisions may be more, but not less, restrictive than the provisions of this Declaration. Except for such more restrictive provisions, this Declaration shall control over any provision of any Supplemental Declaration that conflicts or is inconsistent with this Declaration. In addition to the foregoing, the term "Supplemental Declaration" includes an instrument recorded in the Registry that annexes real property to an existing Subdivision Declaration.

Section 5. Subdivision Declaration. It is contemplated by the Declarant that within the Property there may be separate and distinct commercial and residential elements that will be subjected to this Declaration. It is further contemplated by the Declarant that, because of varying lot sizes, marketing considerations and other factors, it may be necessary or desirable to impose additional and different covenants and restrictions on such elements which are applicable solely to such phase, section or subdivision (the foregoing being referred to herein as a "Subdivision Declaration"). Accordingly, the Declarant or other Person who owns any such phase, section or subdivision of the Property may subject such phase, section or subdivision to such Subdivision Declarations as the Declarant or other Person, in its sole discretion, may from time to time determine. Provided, however, during the Development Period no Person other than the Declarant may subject any phase, section or subdivision of the Property to any Subdivision Declaration unless the Declarant consents in writing thereto. More than one phase, section or subdivision may be subjected to the same Subdivision Declaration. Any Subdivision Declaration may specify such use restrictions and may contain such other terms, covenants, restrictions, easements, affirmative obligations, assessments, charges and liens, not inconsistent with this Declaration, as the Person subjecting such real property to the Subdivision Declaration may determine, which provisions may be more, but not less, restrictive than the provisions of this Declaration. Except for such more restrictive provisions, this Declaration shall control over any provision of any Subdivision Declaration that conflicts or is inconsistent with this Declaration.

Section 6. Order of Development and Annexation. It is the Declarant's intent to develop the portions of the Property it owns in accordance with the Master Plan, as modified from time to time. Provided,

however, but subject to applicable Legal Requirements, the Master Plan shall not obligate the Declarant to develop any particular portion of the Property now or in the future, the Declarant shall not be required to follow any particular sequence or order of development of the Property, and the Declarant may annex or consent to annex Additional Property to this Declaration before completing development of the portion of the Property previously subjected to this Declaration.

Section 7. Withdrawal.

(a) At any time and from time to time during the Development Period the Declarant, in its sole discretion, without the approval or joinder of the Association or any Owner or other Person (except for the Owner of the portion of the Property being withdrawn), may record in the Registry a "withdrawal declaration" to withdraw one or more portions of the Property from this Declaration; or (ii) conveyed or to be conveyed to the City. All portions of the Property withdrawn from this Declaration shall be identified either by a plat recorded in the Registry or by a metes and bounds description. The withdrawal shall be effective on the date the withdrawal declaration is recorded in the Registry, or on such later date specified therein.

(b) After the end of the Development Period, at any time and from time to time one or more portions of the Property may be withdrawn from this Declaration, and the withdrawal has been approved by the Owner of such portion of the Property and by the affirmative vote of sixty-seven percent (67%) or more of the votes cast by the Members present at a Duly Called Meeting of the Association for which the notice of the meeting includes notice of the proposal to withdraw such portion of the Property.

(c) Following approval of any such withdrawal, the Association and the Owner of the portion of the Property to be withdrawn from this Declaration shall record in the Registry a withdrawal declaration, particularly describing the withdrawn portions of the Property by reference to a plat recorded in the Registry or by a metes and bounds description. The withdrawal shall be effective on the date the withdrawal declaration is recorded in the Registry, or on such later date specified therein.

Section 8. Effect of Annexation or Withdrawal. Other than as specifically limited by the Governing Documents or any applicable Legal Requirement, the Declarant shall have full power to add to, subtract from, or make changes in, the Master Plan, and annex real property to and withdraw real property from this Declaration, regardless of the fact that such actions may affect the relative voting strength of any class of membership in the Association or reduce the number of Owners subject to assessment under this Declaration. Additional Property annexed to this Declaration shall be subject to the Property Classification, Association membership, assessment and architectural approval provisions of this Declaration in the same manner as all other portions of the Property, whether or not other terms, covenants, restrictions, easements, affirmative obligations, assessments, charges and liens are specifically made applicable to such Additional Property. Any portion of the Property that is withdrawn from this Declaration may be developed in any manner allowed under applicable Legal Requirements, and shall be released from the terms and provisions of this Declaration, except all easements specifically affecting such withdrawn portions of the Property, as shown on plats recorded in the Registry or as described in documents recorded in the Registry, shall remain in force and effect.

ARTICLE III RIGHTS IN AND TO THE COMMON PROPERTY

Section 1. Owners' Rights and Easements of Enjoyment. Subject to the provisions of this Declaration and any applicable Supplemental Declaration or Subdivision Declaration, every Owner shall have a right and easement of use and enjoyment in and to the Common Property, which right and easement shall be appurtenant to and shall pass with the title to each portion of the Property owned by such Owner; PROVIDED, HOWEVER, such easement shall not give any Owner the right to make alterations, additions or Improvements to any part of the Common Property, nor to encumber the Common Property as security for any indebtedness of the Owner. Subject to the terms of this Declaration and the Bylaws, any Owner may delegate or assign such Owner's right of use and enjoyment in and to the Common Property to the Owner's family members, lessees, guests, and contract purchasers (who reside on the portion of the Property owned by such Owner). Provided however, no Owner of a Commercial Lot shall be permitted to delegate or assign the Owner's right of use and enjoyment in and to the Recreation Facilities to the Owner's lessees and guests. Lessees and guests of the Owner of any part of any Commercial Lot shall not have any right of use and enjoyment to any part of the Recreation Facilities.

Section 2. Title to the Common Property. Certain streets, roads, easements and trails will be annexed to the City of Durham in 2023 as required pursuant to North Carolina State Law, City of Durham Zoning requirements, and that Utility Extension Agreement recorded in Book 7364, page 366 Durham County Registry, and at such time those streets, roads, easements and trails will be dedicated to the City of Durham and may be accepted by the City of Durham for maintenance. Until such time, Declarant reserves the right to convey those streets, roads, easements and trails to the Association for ownership and for maintenance at the expense of the Association, and the Association shall execute any documents, plats or other required documents for the dedication or conveyance to the City of Durham without requiring approval of the Members of the Association to do so. Declarant (and any other Person who annexes Additional Property to this Declaration) shall convey and Declarant covenants to convey to the Association by one or more deeds (without warranty at the Declarant's option), fee simple title to all real property portions of the Common Property, free and clear of all encumbrances and liens, except for this Declaration, the terms of that Utility Extension Agreement recorded in Book 7364, page 366 Durham County Registry, ad valorem property taxes subsequent to the date of conveyance, street rights-of-way, storm water drainage easements, greenway easements and utility easements. The Declarant shall assign to the Association rights in and to any and all easements that constitute Common Property, as and when the Declarant determines, in its sole discretion, it is necessary or desirable. The Association shall not refuse the Declarant's classification as Common Property of any of the Property or easements to be Maintained by the Association, nor shall the Association refuse to accept from the Declarant (or from any other Person who annexes Additional Property to this Declaration when such Common Property is required by the applicable Subdivision Plan), the conveyance, transfer or assignment of any Common Property. Open space shall be deeded to the Association for the purposes provided herein and consistent with the requirements of Article 7, Section 2 of the Durham Unified Development Ordinance.

Section 3. Extent of Owners' Easement. The rights and easements of enjoyment of the Owners in and to the Common Property are subject to all of the following:

(a) The right of the Association to prescribe and enforce regulations governing the use and Maintenance of the Common Property;

(b) Temporary unavailability of any of the Common Property for necessary Maintenance;

(c) The right of the Association to borrow money for the purpose of Maintaining the Common Property or to enable the Association to perform its functions or provide the services under this Declaration, and the right of the Association to mortgage or pledge the assets of the Association as provided in Article IV, Section 5 of this Declaration;

(d) Subject to any approval required by the City of Durham and any approval required from the Members of the Association under this Declaration, the right of the Association to abandon, partition, encumber, convey, sell, or transfer or relocate the boundaries of, the Common Property;

(e) The right of the Association to take such steps as are reasonably necessary to protect the Common Property against foreclosure;

(f) The right of the Association to suspend the rights (voting and other) and easements of enjoyment in and to the Common Property of any Owner, or any Owner's family member, lessee, guest or contract purchaser, for any period during which any assessment owed by the Owner remains unpaid, and for a period not to exceed sixty (60) days for any infraction of the Association's published rules and regulations. Provided, however, no such suspension shall constitute a waiver or discharge of the Owner's obligation to pay any assessment or other charge under this Declaration. Further provided, the Association shall not suspend the right of any Owner to use any portion of the Common Property over which there is an easement that provides vehicular or pedestrian access for ingress and egress from a public street, a walkway, or a parking area to such Owner's portion of the Property, or over which a sanitary sewer, water, storm water drainage or other public utility easement is located that provides such utility services or storm water drainage facilities to or from such Owner's portion of the Property, but such Owner shall remain subject to the rules and regulations, if any, established by the Association for use of that portion of the Common Property;

(g) Subject to applicable Legal Requirements, the right of the Association to charge reasonable fees for use of the Common Property, except as to Builders selected by Declarant;

(h) Subject to any approval required by the City of Durham, the right of the Association (and the right of the Declarant to require the Association) to reconvey portions of the Common Property to the Declarant to correct erroneous, unintentional or inadvertent conveyances of Common Property by the Declarant to the Association that are inconsistent with the Master Plan or any applicable Subdivision Plan;

(i) Subject to any approval required by the City of Durham, the right of the Association to convey portions of the Common Property for any one or more of the following purposes: (i) to eliminate unintentional encroachments of Improvements or easements; (ii) to correct any building or other setback violations; (iii) to adjust boundary lines of portions of the Property; and (iv) as otherwise determined by the Board to facilitate the orderly subdivision and development of the Property. Provided, however, (i) no such conveyance shall reduce the portion of the Common Property that constitutes "open space" required by the City of Durham below the minimum amount of "open space", if any, required by the City of Durham; (ii) if the conveyance of Common Property results in a material reduction of the Common Property (that is, one (1) acre or more), then the Declarant, or other Person to whom the Common Property is conveyed, shall transfer or cause to be transferred to the Association such real property as may be necessary to keep the amount of the Common Property at the level previously existing, or the Association shall be otherwise reasonably compensated; (iii) the City of Durham, if required, approves any boundary line adjustment; (iv) any boundary line adjustment is approved by the Owners of all portions of the Property affected by the adjustment; (v) each portion of the Property previously Contiguous to Common Property (excluding easements) remains Contiguous to Common

Property, unless otherwise approved by the Owner thereof; (vi) the conveyance does not materially conflict with the Master Plan or any applicable Subdivision Plan; and (vii) any conveyance of real property to the Association must be free and clear of all encumbrances except for this Declaration and any applicable Supplemental Declaration or Subdivision Declaration, street rights of way or access easements, greenway easements and easements for utilities and storm water drainage.

When Common Property is conveyed by the Association, upon such conveyance that Common Property shall be reclassified to a different Property Classification in accordance with this Declaration;

(j) Easements for storm water drainage, storm water control or removal, utilities, walking trails, exercise trails, Sign Easements, Landscape Easements and other matters shown on recorded plats of the Common Property or created or reserved prior to or simultaneously with conveyance of such Common Property, and/or granted by the Association as permitted by this Declaration;

(k) all other provisions of this Declaration affecting such rights and easements; and

(l) Owners, except Builders selected by Declarant (and only according to Plans approved by the Declarant), and their family members, lessees, guests, and contract purchasers, without the prior written consent or approval of the Declarant (or the Board, following the end of the Development Period) shall not do any of the following within any portion of any Common Property, except as reasonably may be required to perform any Owner Maintenance Responsibilities specified in the Article of this Declaration dealing with same:

(1) Grant any easements of any nature whatsoever;

(2) Remove any trees or vegetation, except in an emergency situation or in order to prevent injury or damage to any Person or property;

(3) Erect gates, fences or other structures;

(4) Remove or interfere with any structures Maintained in the Common Property by the Association.

(5) Place or Maintain any garbage receptacles;

(6) Fill or excavate;

(7) Plant vegetation in, or otherwise restrict or interfere with the Maintenance of, the Common Property.

Section 4. Leases Subject to this Declaration. Every lease agreement between an Owner and a lessee for the lease of a portion of the Property shall provide that the terms of the lease shall be subject in all respects to the provisions of the Governing Documents, and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. Provided, however, all such leases shall be subject to the terms of this Declaration and the other Governing Documents, whether or not stated therein.

Section 5. Ingress and Egress. Notwithstanding anything to the contrary appearing in this Declaration, (i) if vehicular or pedestrian ingress and egress from a public street, a walkway, or a parking area to any portion of the Property is over any part of the Common Property as shown on any plat or described in any

instrument recorded in the Registry, or (ii) storm water drainage, sanitary sewer, water or other utility services are provided to or from such portion of the Property over or through an easement located on the Common Property as shown on any plat or described in any instrument recorded in the Registry, any conveyance or encumbrance of that portion of the Common Property shall be subject to those easements for ingress and egress, storm water drainage and/or utilities.

ARTICLE IV FUNCTIONS AND SERVICES OF THE ASSOCIATION

Section 1. Minimum List of Functions and Services. The following are the "Minimum List of Functions and Services" which the Association shall provide, perform, accept, or be responsible for, as the case may be, the expenses for same being Common Expenses under this Declaration:

(a) The Association shall carry out the Association's obligations and business under the terms of the Governing Documents, including legal, financial, accounting and communications services, and shall provide or procure the administrative services necessary in connection therewith;

(b) The Association shall own the Common Property and shall accept transfer of ownership of any and all Common Property from the Declarant, and from other Persons who annex Additional Property to this Declaration as provided in this Declaration;

(c) The Association shall accept from the Declarant any and all assignments of the Declarant rights under this Declaration or any Supplemental Declaration or Subdivision Declaration, and shall assume all obligations which are incident to such assignments as they relate to any Common Property, architectural approvals or other functions or services performed or provided by the Association;

(d) The Association shall accept from the Declarant any and all appointments of the Association as the agent of the Declarant for administration and enforcement of any of the provisions of this Declaration or any Supplemental Declaration or Subdivision Declaration, and shall assume all obligations which are incident to such appointments as they relate to any Common Property, architectural approvals or other functions or services performed or provided by the Association;

(e) The Association shall operate the Architectural Approval Committee(s) as and when provided in this Declaration;

(f) The Association shall Maintain the Common Property, including portions thereof located in easements granted to or reserved by or for the Association. In determining the level of Maintenance to be performed by the Association, the Board may give due consideration to the extent to which the City or any other Person is responsible for or performs such Maintenance;

(g) The Association shall keep complete records of all its acts and corporate business;

(h) The Association shall make available to each Member making written request therefor an annual financial report and, upon either the (i) the affirmative vote of majority of the votes cast by the Members present at a Duly Called Meeting of the Association, or (ii) the written request of the Members possessing twenty-five percent (25%) or more of the total number of votes of any class of Members of the Association,

shall have such report audited (at the expense of the Association) by an independent certified public accountant, which audited report shall be made available to each Member making written request therefor;

(i) The Association shall make available for inspection by the Owners and Mortgagees, including their designated agents, upon reasonable request and during normal business hours, current copies of the Governing Documents, the rules and regulations of the Association, and the books, records and financial statements of the Association;

(j) The Association shall establish an annual operating budget as provided in this Declaration;

(k) The Association shall establish the amount of and collect assessments as provided for in this Declaration;

(l) The Association shall establish reserve funds as provided in this Declaration;

(m) The Association shall hold meetings and give proper notice thereof, as required by the Governing Documents and applicable Legal Requirements;

(n) The Association shall pay all applicable ad valorem property taxes and public assessments, if any, on the Common Property;

(o) The Association shall obtain and maintain insurance as required in this Declaration;

(p) The Association shall be responsible for storm water management as provided in this Declaration;

(q) The Association shall Maintain in a neat, clean, attractive and safe condition all Landscaped Rights-of-Way required to be Maintained by the Association pursuant to Subdivision Plan approvals given by the City and/or pursuant to plats of the Property recorded in the Registry and/or pursuant to written encroachment agreements with the City (and the Association may enter into such encroachment agreements with the City), including removal (or restoration, if appropriate) of trees, plants and other landscaping materials that are either dead, damaged or are in a condition that poses a safety hazard. The City shall not be liable for any motor vehicle accidents or other accidents, injuries or damages caused by any encroachments by the Association into a publicly dedicated street right-of-way, and the Association shall indemnify and hold harmless the City from and against such liability; and

(r) To the extent that they are not Maintained by the Owners of those portions of the Property on which they are located, the Association shall Maintain all Pedestrian Access Easements required to be located on any portion of the Property pursuant to Subdivision Plan approvals given by the City, and/or pursuant to plats of the Property recorded in the Registry, and/or pursuant to written Maintenance agreements with the City (and the Association may enter into such Maintenance agreements with the City, including removal (or restoration, if appropriate) of trees, plants and other landscaping materials that are either dead, damaged or are in a condition that poses a safety hazard or interferes with pedestrian passage. The City shall not be liable for any accidents, injuries or damages to pedestrians caused by any encroachments by the Association into a Pedestrian Access Easement, and the Association shall indemnify and hold harmless the City from and against such liability.

(s) The Association shall Maintain at its own expense any specialty or decorative street signs and posts and all street lights, whether decorative or standard. Should any such specialty signs or posts be

damaged and need replacement, the City of Durham reserves the right to install standard sign material on a temporary basis until the re-installation of specialty signs and posts by the Association.

Section 2. Other Functions and Services. Subject to the Governing Documents, the Association is authorized and empowered, but not required (except as specified in the immediately preceding Section 1), to do, provide, perform, accept, or be responsible for any one or more of the following, the expenses for which being Common Expenses under this Declaration:

(a) The Association may take all actions its deems necessary to enforce and implement the provisions of the Governing Documents;

(b) The Association make take all actions its deems necessary to perform, or to enable it to perform, any of the functions, or to provide, or to enable it to provide, any of the services, it is required or authorized to perform or provide under the Governing Documents, including entering into contracts and borrowing money for such purposes;

(c) The Association may enter into agreements with the City to enable the Association to Maintain City greenways;

(d) The Association may Maintain Landscaped Rights-of-Way and may enter into agreements with the City with respect to such Maintenance;

(e) To the extent that such services are not, in the opinion of the Board, provided adequately by the City, the Association may provide for Maintenance of City owned or controlled property located in or Contiguous to the Property;

(f) Subject to applicable Legal Requirements, the Association may make reasonable rules and regulations for the use and operation of the Common Property, and amend them from time to time. Provided, however, any such rule or regulation adopted by the Board of the Association may be amended or repealed by the affirmative vote of a majority of the votes cast by the Members present at a Duly Called Meeting of the Association, at which a quorum shall be met if the Members entitled to cast twenty percent (20%) or more of the total number of votes entitled to be cast by all of the voting Members of the Association are present, in person or by proxy, at the beginning of the meeting;

(g) The Association may enter into agreements or contracts with utility companies with respect to utility installation, consumption and service matters relating to the Common Property;

(h) The Association may enter into contracts to establish and use one or more bank accounts;

(i) The Association may, in accordance with its Articles and Bylaws, borrow money for the purpose of constructing fixed assets on the Property, improving the Common Properties and facilities, and in aid for the purposes stated herein, to mortgage the Common Properties, and the rights of such mortgagee in the Common Properties shall be subordinate to the rights of the members hereunder;

(j) The Association may sue or defend in any court of law on behalf of the Association, and may employ attorneys and other necessary professionals in connection therewith;

(k) The Association may adjust the amount, collect, and use any insurance proceeds to repair damage to or replace Common Property; and if proceeds are insufficient to repair damage to or replace Common Property, levy special assessments (in the manner provided herein) to cover the deficiency;

(l) The Association may provide for insect and pest control, private security and other services for the Property as the Board, in its reasonable discretion, determines from time to time;

(m) The Association may employ a manager or firm to manage the business and property of the Association (herein also referred to as a "property manager"), and may employ independent contractors or other employees as the Board may deem necessary;

(n) The Association may retain the services of legal and accounting firms and such other professionals and/or tradesmen as it deems necessary and appropriate;

(o) The Association may contract with the Declarant or any other Person for performance of services which the Association is required to perform pursuant to the terms hereof, such contracts to be at competitive rates and upon such terms and for such consideration as the Board may deem proper, advisable and in the best interests of the Association;

(p) The Association may establish from time to time the tax status of the Association for federal and State of North Carolina income tax purposes, as determined by the Board to be in the best interests of the Association;

(q) The Association may contract with other nonprofit corporations or associations which exist for purposes substantially similar to those for which the Association exists, with respect to the Maintenance of property owned by any such corporation or association; and

(r) In addition to the insurance coverage required under the immediately preceding Section 1, the Association may obtain and maintain such other insurance coverage as the Board determines to be in the best interests of the Association.

Section 3. Storm Water Management. Except for the Maintenance responsibilities placed on Owners by this Section or assumed or undertaken by other Persons, the Association, as a Common Expense, shall: (i) Maintain all storm water easements (also referred to herein as "storm water drainage easements" or "drainage easements") in the Property that are shown on plats of the Property recorded in the Registry or established by written instruments recorded in the Registry, and which benefit or serve more than one (1) Lot, Development Parcel, portion of Unsubdivided Land, or combination thereof; and (ii) Maintain the storm water management facilities, if any, on or serving the Property, which are part of the storm water management system for the Property as shown on approved Subdivision Plans or other plans approved by the City. Provided, however, such Maintenance obligations shall cease and terminate, or be reduced, at such time as the City, through a department of public works or some other agency or division, elects to Maintain, in whole or in part, the storm water drainage easements and storm water management facilities, or some other Person is providing the necessary Maintenance. Following any such assumption of Maintenance by the City or other Person, the Association may, without obligation, continue to provide Maintenance to the extent that the City or other Person fails to provide adequate Maintenance, in the opinion of the Board. The Owner of any portion of the Property on or over which a storm water drainage easement (or portion thereof) is located shall be responsible for Maintenance of that easement (or portion thereof), including any one or more of the following: (i)

mowing of grass with reasonable frequency, where applicable; (ii) removal of debris and other matter to the best of the Owner's ability, where such debris or matter has impeded or threatens to impede the free flow of storm water over or through the easement or any storm water management facilities. Such Owner's responsibility shall include notification of the Association of any defects in any fencing, if any surrounding or within a storm water drainage easement or storm water management facility, any debris or other matter which the Owner feels is beyond the Owner's reasonable ability to remove, and any excessive erosion within a storm water drainage easement. The Owner of any portion of the Property on which a storm water drainage easement is located shall not obstruct that easement in any manner. The Owner of any portion of the Property served by a storm water drainage easement shall keep such portion of the Property clear of all debris and other matter which, if carried by water flow into or onto the area of the storm water drainage easement, might significantly impede the free flow of storm water over or through the easement or any storm water drainage facilities. Notwithstanding anything to the contrary herein, each Owner of a portion of the Property, and not the Association, shall be responsible for Maintenance of all storm water drainage facilities and equipment used exclusively in connection with such portion of the Property or the Improvements thereon, including guttering, and pipes and drains for transportation of storm water into a storm water drainage easement or into a storm water management facility that is part of the storm water management system for the Property.

The Declarant, during the Development Period, and thereafter, the Association, subject to any approval required by the City (which may include a requirement by the City of Durham of professional hydrological studies), may at any time and from time to time relocate, abandon and/or release one or more storm water drainage easements in the Property, provided that such relocation, abandonment or release does not materially adversely affect any portion of the Property, including the Common Property.

Section 4. Exchange or Conveyance of Common Property. The Association, without the consent of the Members, and subject to applicable Legal Requirements, may convey portions of the Common Property for any one or more of the following purposes: (i) to eliminate unintentional encroachments of Improvements or easements; (ii) to correct any building or other setback violations; (iii) to adjust boundary lines of portions of the Property; and (iv) as otherwise determined by the Board to facilitate the orderly subdivision and development of the Property, subject to the following: (i) no such transfer shall reduce the portion of the Common Property that constitutes "open space" below the minimum amount of "open space" required by the City of Durham; (ii) if the conveyance of Common Property results in a material reduction of the Common Property (that is, one (1) acre or more), then the Declarant, or other Person to whom the Common Property is conveyed, shall transfer or cause to be transferred to the Association such real property as may be necessary to keep the amount of the Common Property at the level previously existing, or the Association shall be otherwise reasonably compensated; (iii) the City of Durham, if required, approves any boundary line adjustment; (iv) any boundary line adjustment is approved by the Owners of all portions of the Property affected by the adjustment; (v) each portion of the Property previously Contiguous to Common Property (excluding easements) remains Contiguous to Common Property, unless otherwise approved by the Owner thereof; (vi) the transfer does not materially conflict with any applicable Master Plan or Subdivision Plan; and (vii) any conveyance of real property to the Association must be free and clear of all encumbrances except for this Declaration and any applicable Supplemental Declaration or Subdivision Declaration, street rights of way or access easements, greenway easements and easements for utilities and storm water drainage.

Any of the foregoing real property acquired by the Association shall be part of the Common Property and, without further act of the Association or its Members, shall be released from all provisions of this Declaration (or any applicable Supplemental Declaration or Subdivision Declaration) except those applicable to the Common Property. The portion of the Common Property acquired by the Declarant or other Person, without further act of the Association or its Members, shall cease to be Common Property and shall be subject

to those provisions of this Declaration (and any applicable Supplemental Declaration or Subdivision Declaration) that would have been applicable to such real property had it not been Common Property, except that, if required by the City, such portion of the Common Property may be conveyed by the Association to the City free and clear of all of the terms of this Declaration or any applicable Supplemental Declaration or Subdivision Declaration.

Section 5. Mortgage and Pledge. The Association shall have the power and authority to mortgage the Common Property and to pledge its other assets as security for loans made to the Association, which loans shall be used by the Association in performing its functions and providing services under this Declaration. Provided, however: (i) any such mortgage of Common Property, and any pledge of more than one-half (½) of the assets of the Association, first shall be approved in the manner required in this Declaration for approval of an extraordinary action; (ii) all mortgages of Common Property shall be subordinate to the rights of the Owners to the use and enjoyment of the Common Property under this Declaration; (iii) any loan from the Declarant to the Association must be commercially reasonable and the use to which such loan proceeds will be applied approved by the Declarant. No loan from the Declarant to the Association shall discharge or reduce the Declarant's obligation to pay assessments or to fund assessment deficits as provided for herein. Notwithstanding anything in this Declaration to the contrary, at any time that there is any unpaid amount owed to the Declarant under any loan made by the Declarant to the Association, without the Declarant's written consent the annual assessments shall not be reduced below the amounts in effect at the time such loan first was made.

Section 6. Liability Limitations. Neither the Declarant, nor any current or former Member of the Association, nor the Board, nor any director on the Board, nor any officer of the Association, nor any shareholder, director, officer, member, manager, agent or employee of the Declarant, shall be personally liable for debts contracted or incurred by the Association or for a tort of another current or former Member, whether or not such other current or former Member was acting on behalf of the Association. Neither the Declarant nor the Association, nor any of the shareholders, directors, officers, members, managers, agents or employees of either, acting in those official capacities, shall be liable for any incidental or consequential damages for failure to inspect any Owner's portion of the Property or Improvements thereon (except as may separately be provided by agreement between Declarant and Builders selected by Declarant), or for failure to Maintain the same (provided, however, as provided herein the Declarant shall be responsible for Maintenance of all Unsubdivided Land and Lots owned by the Declarant, and, except as otherwise specifically provided herein, the Declarant, directors on the Board and officers of the Association shall have all of the other obligations and liabilities of an Owner under this Declaration with respect to portions of the Property owned by such Persons). The Association shall indemnify all Association directors and officers, and members of the Architectural Approval Committee, as required by the Articles and Bylaws.

Neither the Board, the Association, any current or former Member of the Association, nor the Declarant shall be considered as a bailee of any personal property stored or placed on the Common Property (including vehicles parked on the Common Property), whether or not exclusive possession of the particular area is given to the Person who owns such personal property, nor shall any of the foregoing Persons (other than the Person who owns the personal property) be responsible for the security of such personal property or for any loss or damage thereto. The Association shall not be liable for any failure of or interruption to any service to be obtained by the Association or paid for as a Common Expense, or for personal injury or property damage which is caused by the elements or by any Owner or any other Person, or which results from electricity, water, snow or ice which may leak or flow from or over any portion of the Property or from any pipe, drain, conduit, appliance or equipment, or any secondary or consequential damages of any type resulting from the foregoing. No diminution, offset or abatement of any assessment or other charge shall be claimed or

allowed for inconvenience or discomfort arising from Maintenance of the Common Property or from any action taken by the Association to comply with any applicable Legal Requirement. This Section is not intended, nor shall it be construed, to relieve any insurer of its contractual obligations under any policy benefiting the Association or any Owner.

Section 7. Merger or Consolidation. Upon a merger or consolidation of the Association with another association in accordance with all applicable Legal Requirements, the properties, rights and obligations of the Association, by operation of law, may be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association, by operation of law, may be added to the properties, rights and obligations of the Association as the surviving corporation pursuant to a merger. The surviving or consolidated association shall be considered the Association under this Declaration and may administer the terms and provisions of this Declaration and any applicable Supplemental Declaration or Subdivision Declaration, together with the terms and provisions of any declarations, covenants and restrictions applicable to other property under the jurisdiction of the surviving or consolidated Association, as a common plan. Other than as specifically stated in the plan of merger or consolidation approved pursuant to all applicable Legal Requirements (including approval by the City of Durham), no merger or consolidation shall effect any revocation of the provisions of this Declaration with respect to the Property, including the limits on any assessment or any other matter substantially affecting the interests of the Members of the Association. During the Development Period, no merger or consolidation of the Association with another association shall be valid without the written consent of the Declarant.

ARTICLE V

ASSOCIATION MEMBERSHIP; VOTING RIGHTS

Section 1. Membership. Each and every Owner, including the Declarant, is a Member of the Association and, by execution of this Declaration or by acceptance of a deed conveying to such Owner title to any portion of the Property, each Owner consents to be a Member of the Association, subject to the terms of the Governing Documents and applicable Legal Requirements. Membership of an Owner in the Association shall be appurtenant to and may not be separated from the portion of the Property owned by the Owner, and the Board may adopt reasonable rules relating to the proof of ownership. Membership in the Association shall terminate automatically whenever a Person ceases to be an Owner (except that the Class B Membership shall terminate only as provided herein), but such termination shall not release or relieve any such Person from any liability or obligation incurred under this Declaration during the period of such Person's ownership, nor impair any rights or remedies which the Association or any other Owner has with respect to such former Owner.

Section 2. Classes of Voting Members. The Association shall have two (2) classes of voting Members as follows:

Class A. Class A Members are all Owners of Development Parcels and Lots, excluding the Declarant during the Declarant Control Period. Class A Members are entitled to the following votes:

- (1) A Class A Member is entitled to one (1) vote for each acre of a Development Parcel owned by such Class A Member. Provided, however: (i) as portions of a Development Parcel become Lots for purposes of assessments under this Declaration, votes for those portions shall be determined in accordance with the number of Lots; (ii) as portions of a Development Parcel become Apartment Units for purposes of assessments under this Declaration, votes for those portions shall be determined

in accordance with the number of Apartment Units; and (iii) once a Development Parcel has been fully developed as Lots or Apartment Units in accordance with the applicable Subdivision Plan, or there has been no development or marketing of a Development Parcel for a period of twenty-four (24) consecutive months, no votes will be allocated to any remaining acreage in that Development Parcel. In determining the number of votes for a Development Parcel, a partial acre equal to 0.5 acre or more shall be rounded up to the nearest whole acre, and a partial acre less than 0.5 acre shall be rounded down to the nearest whole acre, except that where the acreage is less than one (1) acre, the Development Parcel shall be allocated one (1) vote. Only one (1) vote is entitled to be cast for each acre of a Development Parcel, regardless of the number of Owners thereof;

(2) A Class A Member is entitled to one (1) vote for each Single Family Lot or Townhome Lot or Lot with an Attached Dwelling Unit owned by such Class A Member. Only one (1) vote is entitled to be cast for each Single Family Lot or Townhome Lot or Lot with an Attached Dwelling Unit, regardless of the number of Owners thereof;

(3) A Class A Member is entitled to one (1) vote for per 1,000 square feet of heated building improvements permitted to be constructed or actually constructed on a Commercial Lot, it being understood that the votes per Commercial Lot may adjust following construction of improvements on that Commercial Lot. Only one (1) vote is entitled to be cast for each 1,000 square feet permitted to be constructed or actually constructed on a Commercial Lot, regardless of the number of Owners thereof; and

(3) A Class A Member is entitled to one-fourth (1/4) vote for each Apartment Unit owned by such Class A Member. Only one-fourth (1/4) vote is entitled to be cast for each Apartment Unit, regardless of the number of Owners thereof.

Class B. The Class B Member is the Declarant. The consent of the Class B member shall be required for various actions of the Board, the membership and committees, as specifically provided elsewhere in the Governing Documents. In addition, the Class B member may appoint the members of the Board of Directors during the Declarant Control Period, as set out herein. Additional rights of the Class B Member are specified in the relevant sections of this Declaration.

The Class B Membership shall terminate at the end of the Declarant Control Period. Upon such termination, the Declarant shall become a Class A Member, shall have Class A votes with respect to the portions of the Property owned by the Declarant, and shall become subject to assessment as a Class A Member on the first day of the month immediately following the month in which the Declarant Control Period ends, and all Unsubdivided Land shall be treated in the same manner as Development Parcels for purposes of assessments and voting under this Declaration.

Section 3. Non-Voting Membership. Owners of Exempt Property, except for the City (which shall not be a Member of the Association), shall be non-voting Members of the Association with respect to that Exempt Property.

Section 4. Voting.

(a) When any portion of the Property entitling the Owner thereof to membership as a Class A Member is owned of record in the name of two (2) or more Persons, their acts and presence with respect to voting, written consents, and quorum requirements shall be as follows:

- (1) If only one (1) of the Owners votes, in person or by proxy, then the vote of that Owner shall bind all of the Owners;
- (2) If more than one (1) of the Owners votes, in person or by proxy, the act of the majority of those so voting shall bind all, and no fractional voting shall be allowed;
- (3) If more than one (1) of the Owners votes, in person or by proxy, but the vote is evenly divided on any particular matter, the votes shall not be counted; and
- (4) The presence at a meeting, in person or by proxy, of one or more of multiple owners of a Lot, Development Parcel or Apartment Unit shall be sufficient for quorum purposes with respect to the vote or votes attributable to such Lot, Development Parcel or Apartment Unit.

The principles of this paragraph shall apply, insofar as possible, to the execution of proxies, waivers, consents or objections.

(b) Except when this Declaration, other Governing Documents, or applicable Legal Requirements specifically require a higher percentage or require the applicable percentage to be calculated based on the number of votes "entitled to be cast": (i) the vote of a "simple majority" (defined as more than 50%) of the total number of votes cast by the Members present at a Duly Called Meeting of the Association shall be the act of the Members with respect to the matter subject to the vote; and (ii) when matters are required to be voted upon by each Class of membership (or by a specific Class or portion of a specific Class of Members - for example, with respect to Limited Common Property), the vote of a simple majority of the total number of votes cast by the Members of that Class (or applicable portion of that Class) present at a Duly Called Meeting of the Association shall be the act of that Class (or applicable portion of that Class) of Members with respect to the matter subject to the vote; provided, however, during the Development Period, the written consent of the Declarant shall be required to make effective any matter that affects the rights or obligations of the Declarant under this Declaration.

(c) Unless otherwise specifically prohibited in this Declaration, other Governing Documents, or any applicable Legal Requirements, any matter that may be adopted by the vote of Members may be adopted by the written consent of the Members or applicable Class of Members (or portion thereof), subject to the following: (i) the foregoing rules governing voting when there is more than one Owner of a particular portion of the Property applies to written consents; (ii) the majority or other percentage required for adoption by voting is applicable to adoption by written consent, except that, with respect to written consents, the percentage shall be determined in relation to the number of votes that the Members, or applicable Class of Members (or portion thereof), would be entitled to cast; (iii) the date on which the last Member necessary to meet the percentage required for adoption signs the written consent shall not be more than one (1) year following the date that the first Member signs the written consent; (iv) a Member's written consent is binding unless revoked in writing prior to adoption of the matter by the required percentage of written consents; (v) a Member's written consent becomes invalid if the Member ceases to be an Owner prior to adoption of the matter by the required percentage of written consents; and (vi) applicable provisions of the North Carolina law, the Articles and Bylaws.

(d) The voting rights of an Owner may be assigned by the Owner to the Owner's lessee only by written instrument and only with respect to the portion of the Property actually leased and occupied by the lessee.

(e) Payment of special assessments or any other assessments or charges shall not entitle Class A Members to any votes in addition to those specified for Class A Members in this Article.

(f) There shall be no cumulative voting.

Section 5. Directors. The Association shall be governed by a Board consisting of not less than three (3) nor more than seven (7) Directors elected or appointed in accordance with the Governing Documents. The Initial Board shall have no less than three (3) members, and during the Declarant Control Period the Declarant has the sole right to elect (by appointment), remove, replace, and designate the term of, all of the Directors as the Declarant, in its sole discretion, from time to time determines. Following the end of the Declarant Control Period, the Class A Members shall have the right to elect the majority of the Directors, and during the Development Period the Declarant shall have the right to elect (by appointment) the number of Directors that constitutes one (1) less than the majority of Directors, all as more specifically provided in the Articles and/or Bylaws. At any time following the end of the Declarant Control Period, there shall be at least one member of the Board of Directors who is also a member of the Townhome Association, one member of the Board of Directors who is also a member of the Condominium Association, two members of the Board of Directors who are also members of the Commercial Association and one member of the Board of Directors who is also an owner of a Single Family Lot.

Section 6. Quorum. A quorum shall be required for all meetings of the Members of the Association. A quorum shall be deemed to be present throughout any meeting of the Association if Members entitled to cast ten percent (10%) or more of the total number of votes entitled to be cast by all of the voting Members of the Association are present, in person or by proxy, at the beginning of the meeting, unless a higher percentage is specified herein, or required by applicable Legal Requirements. Non-voting Members shall not be considered in determining a quorum. Once a Member is present at a meeting, such Member is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting, unless a new record date is set for that adjourned meeting. When voting on any matter requires approval by a specified percentage of each class of Members, or by a specific class of Members, or, as in the case of Limited Common Property, of a limited portion of Members, a quorum of each class of Members or of the specific class Members or of the applicable portion of Members must be present in person or by proxy.

If at any meeting of the Association a quorum is not present, a majority of the Members who are present at such meeting, in person or by proxy, may recess or adjourn the meeting to such date, time and place (in Durham County, North Carolina) as such Members may agree, but not more than thirty (30) days after the date and time the meeting being recessed or adjourned was called. At the meeting that is being recessed or adjourned, the Secretary shall announce the date, time and place to which the meeting is recessed or adjourned, and shall make reasonable efforts to notify all Members of such date, time and place.

Section 7. Proxies. All Members of the Association may vote and transact business at any meeting of the Association by proxy which is authorized in writing and meets the applicable requirements of the Governing Documents and Legal Requirements.

Section 8. Ballots by Mail. When directed by the Board, in its sole discretion, a statement of certain motions to be introduced for vote of the Members at an annual or special meeting of the Association, and a ballot on which each Member may vote for or against each such motion, shall be sent with the notice of the annual or special meeting at which such vote is to be held. The form of the ballot and requirements for

execution and presentation thereof, not inconsistent with this Declaration or applicable Legal Requirements, shall be as determined by the Board. Each ballot properly executed and presented at the applicable meeting shall be counted in calculating the quorum requirements for the meeting, but such ballots shall not be counted in determining whether or not a quorum is present to vote on motions or other matters that do not appear on the ballot. With respect to any such ballot, the Board shall establish the rules for withdrawal or revocation of the ballot, which rules shall clearly be set forth on the notice of the meeting that accompanies any such ballot.

Section 9. Sub-Association to Assume Certain Membership Rights. Notwithstanding anything to the contrary in this Declaration, contemporaneously with the imposition of Sub-Association documentation on a Lot or Development Parcel, the Owner(s) of the Lot or Development Parcel shall be deemed to have irrevocably assigned to the Sub-Association, and the Sub-Association shall be deemed to have irrevocably assumed, for so long as the Sub-Association Documentation remains in effect, the following rights of membership in the Association:

- (a) The right to attend member meetings of the Association;
- (b) The right to cast any vote and the right to give or withhold any consent, both as a Member of the Association and as an Owner, provided for herein.

Pursuant to the foregoing assignment, the Member meetings of the Association may be attended on behalf of the Owner(s) of the Lot or Development Parcel subjected to the Sub-Association documentation by up to three (3) executive board members, officers, or representatives of the Sub-Association. Other Owners within the Sub-Association may attend Association meetings. The Sub-Association documentation shall stipulate how any votes to be cast or consents to be given by the Sub-Association will be determined and may provide that such voting rights and consents will be apportioned. Further, the Sub-Association shall be responsible for all obligations of the applicable Owner hereunder and shall be responsible for ensuring that the terms of this Declaration are upheld as to that Lot or Development Parcel.

ARTICLE VI

ASSESSMENTS AND OTHER CHARGES

Section 1. Creation of the Lien and Personal Obligation for Assessments. Subject to the terms of this Declaration, each Owner of a portion of the Property (except for Exempt Property), by execution of this Declaration or by acceptance of a deed or other conveyance, whether or not it shall be so expressed therein, is hereby deemed to consent and agree to pay to the Association (or to any Person which may be designated by the Association to receive such monies on behalf of the Association) assessments and other charges as follows: (i) annual assessments; (ii) working capital assessment; (iii) fixed asset capital assessments; (iv) special assessments for capital Improvements or other matters as set forth herein; (v) special individual assessments levied against an Owner to reimburse the Association for Maintenance expenses resulting from the failure of such Owner to Maintain adequately that Owner's portion of the Property, or for such other purposes as stated herein; (vi) architectural review fees and costs as specified herein; and (vii) fines, late payment penalties and interest on unpaid assessments and other charges imposed under authority contained in the Governing Documents, and, in addition to such assessments and other charges, to pay all costs, fees and expenses (including reasonable attorneys' fees and fees, to be charged by the Association or the Association's managing agent for offsetting the costs of collection) incurred by the Association in enforcing or collecting

any of the foregoing assessments or other charges. All of the assessments and other charges shall be established and collected as hereinafter provided. All of the assessments and other charges, together with the costs of collection thereof, including reasonable legal fees and fees, to be charged by the Association or the Association's managing agent for offsetting the costs of collection, shall be a charge and continuing lien on the portion of the Property owned by the Owner against whom they are assessed or charged from the time of the filing of a lien in the office of the Clerk of Superior Court of Durham County, North Carolina, and shall be the personal and continuing obligation of the Person who was the Owner of such portion of the Property at the time when the assessment or other charge first became applicable. An Owner's personal obligation for payment of assessments and other charges incurred during the time such Owner owned a portion of the Property shall not become the personal obligation of a subsequent Owner unless expressly assumed by the subsequent Owner. No Owner shall be exempt from liability for any assessment provided for herein by reason of non-use of the Common Property or the portion of the Property against which the assessment or other charge is made, or waiver of use, or abandonment of that Owner's portion of the Property, or temporary unavailability of the use or enjoyment of the Common Property. The obligation of an Owner to pay all assessments and other charges under this Declaration shall constitute evidence of indebtedness for the purpose of establishing under Section 6-21.2 of the North Carolina General Statutes (or any successor statute) the right to collect attorney fees in any action or proceeding to enforce or collect payment of any assessment or other charge.

Section 2. Liability for Assessments After Change in Membership. No Owner shall be relieved of, or released from, the obligation to pay assessments and other charges under this Declaration because of any resignation or attempted resignation by such Owner of membership in the Association, or because of any suspension of such Owner's membership in the Association.

Section 3. Nature, Purpose and Use of Assessments. The assessments shall be used by the Association for any one or more of the following: (i) to pay the Common Expenses; (ii) to perform the functions or provide the services required or authorized of the Association pursuant to this Declaration and any Supplemental Declaration or Subdivision Declaration (if applicable); and (iii) to implement, administer and enforce the terms and provisions of this Declaration and of any Supplemental Declaration or Subdivision Declaration (if applicable), as the Board determines to be in the best interests of the Association or its Members.

All assessments and other charges collected by the Association, including penalties and interest thereon, shall be the separate property of the Association. As assessments and other charges are paid to the Association by any Owner, such funds may be commingled with assessments and other charges paid to the Association by other Owners. No Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer, such Member's interest in the assets of the Association, except as an appurtenance to the portion of the Property owned by such Member. When any Owner shall cease to be a Member of the Association, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association or any portion thereof which may have been paid to the Association by such Owner or acquired with any funds paid to the Association by such Owner.

When the Board determines that it is necessary or desirable to make an expenditure that affects, or provides a benefit for, or complies with a requirement in this Declaration with respect to, the Limited Common Property, the funds for such expenditure shall come from the additional assessments collected from the Owners of those portions of the Property located in the particular phase, section or subdivision in the Property to which such Limited Common Property is related.

Section 4. Maximum Annual Assessment and Annual Assessment.

(a) The Board shall determine the initial maximum annual assessment for each "Assessment Category" based on the following Assessment Categories allocated as follows:

<u>Assessment Category</u>	<u>Allocation of Maximum Annual Assessment</u>
Commercial Lot	per square foot based on the square footage of improvements that are planned to be constructed on the Commercial Lot, and once developed, the actual square footage of the improvements developed on the Commercial Lot
Development Parcel	per acre or portion of an acre, based on the acreage in the Development Parcel
Townhome Lot	per Townhome Lot
Attached Dwelling Unit	per Attached Dwelling Unit
Single Family Lot	per Single Family Lot
Apartment Unit	per Apartment Unit

(b) Beginning with the calendar year following the establishment of the initial maximum annual assessment, unless otherwise determined by the Board or Declarant as allowed herein, the maximum annual assessment for each Assessment Category shall automatically increase each calendar year by an amount equal to the greater of (i) twelve percent (12%) of the maximum annual assessment for the immediately preceding calendar year, or (ii) the amount of the maximum annual assessment for the immediately preceding calendar year multiplied by the percentage increase reflected in the "Consumer Price Index-U.S. City Average", All Items (published by the U.S. Bureau of Labor Statistics, Washington, D.C.) then in effect or such other index as may be the successor to said Consumer Price Index, for the twelve month period ending the immediately preceding July 1.

Provided, however, for each any year following the establishment of the initial maximum annual assessment, the Board, in its sole discretion by majority vote, may elect to provide for no increase in the maximum annual assessment, or may provide for an increase in the maximum annual assessment in an amount less than the amount by which it would automatically increase as provided herein. Further provided, however, if the Board provides for no increase in the maximum annual assessment or provides for an increase less than the amount by which it would automatically increase as provided herein, the Board may at any time during that calendar year increase the maximum annual assessment up to the maximum amount to which it would have increased automatically as provided herein. The amount finally determined as the maximum annual assessment for a calendar year shall be the amount on which the increase for the subsequent calendar year is based.

Moreover, during the Declarant control period, if the Declarant, in its sole discretion, decides that the automatic annual increases are insufficient to sustain the Association, then Declarant can increase the

maximum annual assessment to a level which will sustain the Association for the year. Thereafter, the automatic annual increase shall be based on the new annual amount established by Declarant.

(c) Following the Declarant Control Period, the maximum annual assessment for each Assessment Category in any calendar year may be established at an amount higher than the amount established automatically or by the Board as provided herein, by the affirmative vote by each class of membership of sixty-seven percent (67%) or more of the votes cast by the Members of that class present at a Duly Called Meeting of the Association for which notice of the meeting included notice of the proposal to increase the maximum annual assessment. Provided however, the provisions of this subsection shall not apply to, nor be a limitation upon, any change in the maximum annual assessment undertaken incident to a merger or consolidation in which the Association is authorized to participate under the Governing Documents or any Legal Requirement.

(d) Notwithstanding anything to the contrary herein, the maximum annual assessment for an Apartment Unit always shall be one-fourth (1/4) of the maximum annual assessment for a Lot.

(e) If the Board establishes the annual assessments at amounts less than the maximum annual assessments for any particular calendar year and, thereafter, during such calendar year, determines that such annual assessments are insufficient, the Board, by majority vote, may levy one or more supplemental annual assessments. Any supplemental annual assessment shall be proportional among the Assessment Categories subject to assessment (for example, if the supplemental annual assessment for a Lot is equal to 10% of its maximum annual assessment, then the supplemental annual assessment for a Development Parcel shall be equal to 10% of its annual assessment). Provided, however, the total of the annual assessment plus all supplemental assessments assessed in any calendar year shall not exceed that calendar year's maximum annual assessment applicable to that Assessment Category.

Section 5. Commencement of Assessments; Change in Assessment Category for Purposes of Assessments. Annual assessments commence, Assessment Categories become subject to being assessed for special assessments, and assessments are applied to Assessment Categories, as follows:

(a) A Development Parcel first becomes subject to annual and special assessments as a Development Parcel on the later of the first day of the month immediately following the month in which this Declaration is recorded in the Registry, or the first day of the month immediately following the month in which it is conveyed by the Declarant to another Owner. Exempt Property that loses its status as Exempt Property and becomes a Development Parcel, and first becomes subject to assessment on the first day of the month immediately following the month in which it loses its status as Exempt Property. Acreage in a Development Parcel shall continue to be assessed as a Development Parcel until the earlier of:

- (i) the first day of the month immediately following the month in which it becomes Exempt Property;
or
- (ii) the date on which it becomes subject to assessment as a Lot under subsection (b) of this Section;
or
- (iii) the date on which it becomes subject to assessment as an Apartment Unit under subsection (c) of this Section; or

(iv) with respect to a developed Development Parcel which has not been developed into Lots or Apartment Units, or with respect to an undeveloped Development Parcel whose Intended Use is something other than Lots or Apartment Units, until such time as its actual use or Intended Use (if there is no actual use) becomes Lots or Apartment Units, or it becomes Exempt Property, at which time it shall be governed by the foregoing provisions of this subparagraph (a).

Acreage in a Development Parcel that is assessed as Lots shall be assessed based upon the number of Proposed Lots shown for that acreage on an applicable Subdivision Plan. Acreage in a Development Parcel that is assessed as Apartment Units shall be assessed based upon the number of Proposed Apartment Units shown for that acreage on an applicable Subdivision Plan, or, with respect to any portion of the Development Parcel for which there is no applicable Subdivision Plan, based on twelve (12) Apartment Units per acre.

(b) A Lot first becomes subject to annual and special assessments as a Lot on the later of the first day of the month immediately following the month in which this Declaration is recorded in the Registry, or the first day of the month immediately following the month in which a plat establishing it as a Lot first is recorded in the Registry. It shall be the duty of the Owner of each Development Parcel or Unsubdivided Land, by no later than the last day of the month in which the plat is recorded, to provide the Association with a copy of each plat thereof recorded in the Registry that subdivides the Development Parcel or Unsubdivided Land into Lots. Provided, however, the failure of an Owner to provide the Association with a copy of the recorded plat shall in no way release or relieve the Owner from liability for payment of assessments as Lots, effective as of the commencement date determined in accordance with this subparagraph.

(c) An Apartment Unit first becomes subject to annual and special assessments as an Apartment Unit on the first day of the month immediately following the month in which a certificate of occupancy has been issued by the City for that Apartment Unit or for the entire building in which that Apartment Unit is located. The Owner of each Development Parcel or Unsubdivided Land that is being developed as Apartment Units shall provide to the Association, by no later than the last day of the month in which it is issued by the City, a copy of each certificate of occupancy issued by the City for Apartment Unit buildings constructed on such portion of the Property. Provided, however, the failure of an Owner to provide to the Association with a copy of the certificate of occupancy shall in no way release or relieve the Owner from liability for payment of assessments as Apartment Units, effective as of the commencement date determined in accordance with this subparagraph.

(d) Portions of the Property owned by the Declarant shall not be subject to annual and special assessments during the Declarant Control Period. Beginning with the month immediately following the end of the Declarant Control Period, Lots owned by the Declarant shall be assessed in the same manner as Lots owned by other Class A Members of the Association, and Unsubdivided Land owned by the Declarant shall be assessed in the same manner as Development Parcels owned by other Class A Members of the Association.

In addition to payment of the foregoing assessments, during the Declarant Control Period the Declarant shall fund all annual operating budget deficits, if any. The Declarant's deficit funding obligation may be satisfied with in-kind payments of services or materials. The Declarant's deficit funding obligation does not include any expenses that the Association is unable to meet because of nonpayment of any assessment by Owners other than the Declarant, or because of unusual or extraordinary expenses not included in the annual operating budget.

(e) When an annual assessment commences in any month other than January, the amount of the annual assessment for that calendar year shall be determined by multiplying the amount of that year's annual

assessment by a fraction whose numerator is the number of months in that calendar year including and following the month in which the annual assessment commences, and whose denominator is twelve (12).

(f) Notwithstanding anything to the contrary appearing herein:

(1) each Lot on which the Intended Use is construction of a Detached Dwelling or a commercial property (or for which there is no Intended Use) shall be assessed at a rate equal to one-half ($\frac{1}{2}$) of the then applicable annual assessment until a certificate of occupancy is issued for the improvements constructed thereon;

(2) each Lot on which the Intended Use is construction of an Attached Dwelling shall be assessed at a rate equal to one-half ($\frac{1}{2}$) of the then applicable annual assessment until a certificate of occupancy is issued for the improvements constructed thereon. Notwithstanding the foregoing, the applicable annual assessment or charge for any Builder selected by Declarant or such Builder selected by Declarant's Lot on which the Intended Use is construction of an Attached Dwelling shall not exceed the maximum annual amount of \$1,200.00 per Lot, even if one-half ($\frac{1}{2}$) of the then-applicable annual assessment exceeds \$1,200.00 per Lot.

Section 6. Preparation of Operating Budget. Not less than thirty (30) days before the beginning of each calendar year, commencing for the year 2018, the Board shall adopt an annual operating budget for the Association, containing an estimate of the total amount believed to be necessary to pay the Common Expenses for the ensuing calendar year, including such reasonable amounts as the Board deems necessary to provide working capital (available for day-to-day operating expenses and otherwise uncommitted for specific expenses), capital for fixed assets, reserves for contingencies, and reserves for replacement of Common Property. The annual operating budget shall constitute the basis for establishing the annual assessment. The Board shall make the annual operating budget, or a summary thereof, available for inspection by the Members within thirty (30) days after adoption of a proposed budget and a notice of the meeting to consider ratification of the budget. Provided, however, failure of the Board to adopt an annual operating budget, or failure of the Board to adopt an annual operating budget within the specified time limitations, shall not invalidate any subsequently adopted annual operating budget and shall not relieve or release any Owner from the obligation to pay assessments. Further provided, until such time as the Board has adopted the new annual operating budget, the annual operating budget for the immediately preceding calendar year shall remain in effect (but the newly adopted annual operating budget shall be retroactive to January 1 of the applicable calendar year). Any budget providing for an increase not requiring a vote, is ratified unless ninety percent (90%) of the total vote of each class of Members vote to reject the budget at a duly called meeting.

Section 7. Establishing the Annual Assessment. The Board shall establish the amount of the annual assessment for each calendar year at least thirty (30) days in advance of the beginning of such year, and, if the amount of the annual assessment changes from the amount for the current year, the Board shall cause written notice of the new annual assessment to be sent to at least one of the Owners of each portion of the Property subject to the assessment, but failure to send such notice shall not invalidate any change in the annual assessment. The failure of the Board to establish the amount of any annual assessment as required herein shall not constitute a violation, waiver or modification of the provisions of this Declaration, or a waiver of the Board's right to establish the annual assessment at any time during the calendar year to which it is applicable, or a release of any Owner from the obligation to pay the assessment or any installment thereof for that or any subsequent calendar year, and the annual assessment for the immediately preceding calendar year shall continue in effect until the Board has established the new annual assessment (but when established, the amount of the new annual assessment shall be retroactive to January 1 of the applicable calendar year).

Section 8. Collection of Assessments; Due Dates; Penalties for Late Payment.

(a) Annual and special assessments may be collected on a monthly, quarterly, annual or other basis, as determined from time to time by the Board. The billing schedule shall be the same for all portions of the Property in a particular Assessment Category; provided, however, the Board, in its sole discretion, may establish different schedules for billing of annual and special assessments due from Owners of different Assessment Categories.

(b) Subject to any limitations contained in this Declaration, other Governing Documents, or any applicable Legal Requirement, the Board has the authority at any time and from time to time to establish the due dates, interest rate on unpaid amounts, and penalties for late payment of annual and special assessments and other charges, including the authority to accelerate the unpaid balance of the annual assessment in instances where there is a default in payment of a portion of such annual assessment that is being billed monthly, quarterly or on any other basis. In the event of default in the timely payment of any assessment or other charge, the defaulting Owner shall be obligated to pay interest on the unpaid balance thereof from and after the due date at the lesser of the highest lawful rate under applicable Legal Requirements or such other amount, if any, established by the Board, together with all costs and expenses of collection, including reasonable attorney's fees, to be charged by the Association or the Association's managing agent for offsetting the costs of collection. The Association, upon an affirmative vote by the majority of the Board of Directors, may increase or decrease the amount charged by the Association or the Association's managing agent for offsetting the costs of collection, provided that written notice is provided to all owners of record at the time of said change.

(c) The Board may at any time and from time to time authorize a management company or other billing agent, on behalf of the Association, to bill and collect all assessments and other charges payable under this Declaration.

Section 9. Special Assessments for Improvements and Additions. In addition to the annual assessments authorized herein, and subject to the other requirements of this Declaration, at any time and from time to time the Association may levy a special assessment for the purpose of defraying, in whole or in part, the costs or expenses of any one or more of the following:

- (1) Construction, reconstruction, alteration, repair, replacement or removal of a capital improvement in or on the Common Property, including fixtures and personal property related thereto;
- (2) Additions to the Common Property;
- (3) To provide for the necessary facilities and equipment to enable the Association to perform the functions and offer the services required or authorized herein; and
- (4) To repay any loan made to the Association to enable it to perform the functions and provide the services required or authorized herein.

Provided, however, each special assessment first shall be approved by the affirmative vote by each class of membership of sixty-seven percent (67%) or more of the votes cast by the Members of that class present at a Duly Called Meeting of the Association for which notice of the meeting includes notice of the proposed special assessment. A special assessment shall be due and payable as established by the vote of the

Members approving the special assessment, or, if not established by such vote of the Members, as established by the Board.

The proportion of each special assessment to be paid by the Owners of the various Assessment Categories shall be the same as their respective proportions of the annual assessments applicable for the calendar year during which the special assessment is levied.

Section 10. Certification of Assessments Paid. The Association (or any Person employed by the Association to assist in the management of the Association and collection of assessments and authorized by the Association to issue such certificates), upon demand and payment of a reasonable charge or fee established by the Association, shall furnish to any Owner, or to any holder of a first lien deed of trust on the portion of the Property owned by such Owner, or to an attorney who represents the Owner or a prospective purchaser of such portion of the Property, or to any other Person approved by the Board, a certificate signed by an officer of the Association (or the Person or an officer, partner or agent of such Person having authority to issue such certificate) setting forth whether or not the assessments owed by such Owner have been paid. A properly executed certificate of the Association (or authorized Person) shall be conclusive evidence against all but the Owner of the payment of any assessment therein stated to have been paid.

Section 11. Assessment Lien and Foreclosure. The assessments and other charges provided for herein shall be the personal and individual debt of the Owner(s) of the portion of the Property against whom they are assessed or charged. Any assessment or other charge not paid on or before the due date shall be delinquent and, together with penalty and interest charges as provided in this Declaration, plus the costs of collection (including reasonable attorney's fees, to be charged by the Association or the Association's managing agent for offsetting the costs of collection. The Association, upon an affirmative vote by the majority of the Board of Directors, may increase or decrease the amount charged by the Association or the Association's managing agent for offsetting the costs of collection, provided that written notice is provided to all owners of record at the time of said change), shall be a charge and continuing lien on the portion of the Property (and Improvements thereon) owned by the defaulting Owner. Except as otherwise provided in this Declaration, the lien shall be superior to all other liens and charges against such portion of the Property and Improvements thereon. The Board shall have the power, in its sole discretion, to subordinate the lien to any other lien. To evidence the lien, the Association may prepare and record in the Registry a written notice of lien setting forth the amount of the unpaid assessment or other charge, the name of the Owner, and a description of the portion of the Property owned by such Owner, or the Association may execute, issue or record such other evidence of the lien as the Board deems necessary. Subsequent to the recordation of such notice, the lien may be enforced by the Association by foreclosure of the portion of the Property owned by the defaulting Owner in the manner required by any Legal Requirement (or, in the absence of any Legal Requirement, in like manner as a deed of trust with power of sale), or the Association may institute suit against the Owner personally obligated to pay the assessments, or the lien may be enforced by judicial foreclosure. In any foreclosure proceeding, whether judicial or non-judicial, the Owner shall be required to pay the costs, expenses, and reasonable attorney's fees incurred by the Association. The Association shall have the power to bid on and purchase the portion of the Property subject to the foreclosure or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with the same. The remedies against a defaulting Owner and such Owner's portion of the Property as set forth herein and/or available under applicable Legal Requirements are cumulative and not mutually exclusive, and the Association may seek none, or any one or more of such remedies, separately or simultaneously, as deemed appropriate by the Board.

Section 12. Subordination of the Lien to Mortgages. The lien of the assessments and charges provided for herein shall be subordinate and inferior to the lien of any first lien mortgage on the applicable portion of

the Property that secures an indebtedness owed to the Declarant or any Mortgagee, and shall be subordinate and inferior to the lien of any second lien mortgage on such portion of the Property that secures an indebtedness to the Declarant for a portion of the purchase price thereof; provided, however, that such subordination shall apply only to the assessments and charges which have become due and payable prior to the sale (whether public or private) of such portion of the Property pursuant to the terms of any such mortgage or prior to transfer of title by deed in lieu of foreclosure. Such sale shall not relieve any subsequent Owner of such portion of the Property from liability for the amount of any assessments or charges becoming applicable after the new Owner acquires title, nor from the lien arising therefrom. The annual assessment applicable to any portion of the Property acquired by a subsequent Owner pursuant to a foreclosure or deed in lieu of foreclosure shall be pro-rated based upon the number of days remaining in that calendar year on and after the date such subsequent Owner acquires title. Upon transfer of title to such portion of the Property by foreclosure or deed in lieu of foreclosure, The Association's lien on such portion of the Property for assessments or other charges applicable prior to the time such title transfer occurs shall be discharged; provided, however, if the proceeds of any foreclosure sale exceed the total amount due under the mortgage, plus all fees, costs and expenses owed to Mortgagee and other fees, costs and expenses payable in connection with such foreclosure or deed in lieu of foreclosure and any other fees, costs or expenses permitted to be paid by applicable law, the amount of the excess, up to and including the amount required to satisfy the Association's lien, first shall be paid to the Association.

Section 13. Exempt Property. All Exempt Property is exempt from the assessments, charges and liens established pursuant to this Declaration.

Section 14. Reserve Funds. From the annual assessments the Board shall establish and maintain reasonable reserve funds for working capital, contingencies and replacements of Common Property, which expenditures shall be Common Expenses. Reserves for Limited Common Property shall be established and accounted for only out of the additional annual assessments paid by the Owners of the portions of the Property associated with such Limited Common Property. With respect to each separate reserve funds account:

(a) Extraordinary expenditures not originally included in the annual operating budget, including (i) major rehabilitation or repair of the Common Property, (ii) emergency or other repairs required as a result of storm, fire, natural disaster or other casualty loss, or (iii) the initial costs of any new service to be performed by the Association, first shall be charged against the appropriate reserves. Except for expenses of normal and routine Maintenance shown in the annual operating budget, all expenses for repair or replacement of the Common Property shall be charged first against appropriate reserves.

(b) If reserve funds become excessive, as determined by the Board, the Board may adjust the reserve funds by reallocation to other annual operating budget items or by applying excess amounts as credits against annual assessments, such credits to be applied in the same proportions as the proportions of annual assessments due and payable for the calendar year in which such credits are applied.

Section 15. Working Capital Assessment. In addition to all other assessments due and payable under this Declaration, with respect to each Lot, the first Owner who acquires title to a Lot from the Declarant or a Builder (it being the intention of this Declaration that the working capital assessment not be paid by a Builder at the time the Builder acquires a Lot or Development Parcel from the Declarant) shall pay to the Association at the time of the closing of that purchase a "working capital assessment" in an amount determined by the Board. The purpose of the working capital assessment is to provide necessary working capital and initial funding for general reserves. Amounts paid as working capital assessments shall be in addition to annual

assessments, special assessments, and additional assessments for Limited Common Property, and the working capital assessment may be enforced and collected, and shall constitute an assessment lien, in the same manner as annual and special assessments against the first Owner and the Lot. It is the express intention of this Section that only one working capital assessment be assessed against each Lot.

Section 16. Fixed Asset Capitalization Fee. In addition to all other assessments due and payable under this Declaration the first Owner who acquires title to a Lot from the Declarant shall be required to pay a "Capitalization Fee" at the Lot Closing which shall be set in an amount as determined by the Board and which shall be used to fund fixed asset capital improvements for the Property.

Section 17. Additional Assessments for Limited Common Property. The Declarant reserves the right, by recordation of Supplemental Declarations or Subdivision Declarations or other documents, to subject portions of the Property located in one or more elements in the Property to provisions requiring the Owners thereof to pay additional annual assessments and special assessments to the Association for the Maintenance of, and addition to, Limited Common Property, including any one or more of the following: (i) private streets; and (ii) landscaping, signs and decorative features.

All of the provisions of this Declaration relating to annual and special assessments shall apply to the additional annual and special assessments for Limited Common Property, with the following exceptions: (i) the additional assessments with respect to any particular Limited Common Property are assessed only against those Owners of the portion of the Property associated with such Limited Common Property; (ii) the initial additional maximum annual assessment and additional annual assessment for each Limited Common Property shall be established in the Supplemental Declaration or Subdivision Declaration that creates or establishes that Limited Common Property; (iii) the actual additional annual and special assessments may vary from phase to phase, section to section or subdivision to subdivision; and (iv) the additional annual and special assessments for portions of the Property in any particular phase, section or subdivision of the Property shall be used exclusively in connection with the Limited Common Property associated with that phase, section or subdivision.

Section 17. Sub-Associations to Collect and Remit Assessments. Any Sub-Association documentation shall provide that the Sub-Association formed pursuant thereto will collect and remit to the Association all assessments levied by the Association pursuant to this Declaration against the property subject to the Sub-Association.

ARTICLE VII INSURANCE

Section 1. Authority and Responsibility to Purchase; Notice.

(a) The Association shall: (i) purchase insurance policies relating to the Common Property and the activities of the Association; (ii) adjust all claims arising under such policies; and (iii) sign and deliver releases upon payment of claims. The cost of all insurance policies purchased by the Association relating to the Common Property shall be a Common Expense or a Limited Common Expense, as appropriate. Except in instances in which applicable Legal Requirements require such coverage, neither the Board, a property manager, nor the Declarant, shall be liable for failure to obtain any coverages required by this Article or for any loss or damage resulting from such failure: (i) if such failure is due to the unavailability of such coverages from reputable insurance companies; (ii) if such coverages are available only at unreasonable cost as

determined by the Board; or (iii) if the Association's insurance professionals advise that any of the coverages or endorsements required under this Article are unnecessary. Exclusive authority to negotiate losses under policies purchased by or on behalf of the Association shall be vested in the Board or its authorized representative. The Board shall promptly notify the Owners and Mortgagees of material adverse modifications, lapses, or termination of, insurance policies obtained on behalf of the Association, unless comparable replacement policies have been obtained and there has been no lapse in coverage.

(b) Each such policy shall provide that:

- (1) The insurer waives any right to claim by way of subrogation against the Declarant, the Association, the Board, the property manager, any Owner or any member of an Owner's household;
- (2) The policy shall not be canceled, invalidated or suspended due to the conduct of any Owner, or such Owner's tenant or such Owner's (or tenant's) household members, guests, employees, agents, or of any director, officer or employee of the Board, or the property manager, without a prior demand in writing that the Board or the property manager cure the defect and neither shall have so cured such defect within thirty (30) days after such demand; and
- (3) The policy may not be canceled or substantially modified without at least thirty (30) days prior written notice to the Board, the property manager and the Mortgagees, except cancellation for non-payment of premium shall require only ten (10) days notice.

(c) All policies of insurance shall be written by reputable companies licensed or qualified to do business in North Carolina.

(d) The deductible or retained limit (if any) on any insurance policy purchased by the Association shall be a Common Expense (or a Limited Common Expense, as appropriate); provided, however, that the Association may assess any deductible amount necessitated by the misuse or neglect of an Owner or such Owner's family members, agents, contractors, lessees, guests or contract purchasers, against the portion of the Property owned by such Owner, and may enforce and collect same in the same manner as an annual assessment.

(e) During the Development Period the Declarant shall be protected by all such policies as an Owner with respect to all portions of the Property owned by the Declarant, but not with respect to any negligence of the Declarant or its employees or contractors in their activities as the developer of the Property.

Section 2. Physical Damage Insurance.

(a) The Board shall obtain and maintain a "Special Form" policy of insurance including fire damage, vandalism, malicious mischief, sprinkler leakage (if applicable), cost of demolition, debris removal, and water damage insuring any Improvements located on the real property portions of the Common Property owned by the Association (including, without limitation, any floor coverings, fixtures and appliances), together with all air conditioning and heating equipment and other service machinery contained therein and covering the interests of the Association, in an amount equal to one hundred percent of the then current full insurable replacement cost thereof (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation (such amount to be redetermined periodically by the

Board with the assistance of the Association's insurance professionals). The Board shall also obtain and maintain appropriate coverage on personal property owned by the Association.

(b) Each such policy shall also provide:

- (1) a waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made by the Board not to do so;
- (2) the following endorsements (or equivalent): (i) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any occupant or Owner or the agents of either when such act or neglect is not within the control of the insured or the Owners collectively, nor by any failure of the insured, or the Owners collectively, to comply with any warranty or condition with regard to any portion of the Property over which the insured, or the Owners collectively, have no control); (ii) "cost of demolition"; (iii) "contingent liability from operation of building laws or codes"; (iv) "increased cost of construction" or "inflation guard"; (v) "replacement cost" or a "guaranteed replacement cost"; and (vi) "agreed amount" or "elimination of co-insurance" clause;
- (3) that any "no other insurance" clause expressly exclude individual Owner's policies from its operation so that the physical damage policy purchased by the Association shall be deemed primary coverage and any individual Owner's policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Association hereunder provide for or be brought into contribution with insurance purchased by Owners or Mortgagees, unless otherwise required by law;
- (4) such deductibles as to loss, but not coinsurance features, as the Board, in its sole discretion, deems prudent and economical; and
- (5) to the extent a policy includes any Dwelling located on any Lot, such policy includes the standard mortgagee clause.

(c) Certificates of physical damage insurance signed by an agent of the insurer, all renewals thereof, and any subpolicies or certificates and endorsements issued thereunder, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee requesting the same, at least ten (10) days prior to any lapse, material modification or cancellation of the then current policy.

Section 3. Liability Insurance. The Board shall obtain and maintain commercial general liability (including libel, slander, false arrest and invasion of privacy coverage) and property damage liability insurance in such limits as the Board may from time to time determine (subject to the minimum coverage required herein), insuring the Association, each director and officer, the property manager, the Owners and the employees of the Association against any liability to the public or to any Owner or such Owner's tenant and such Owner's (or tenant's) household members, guests, employees or agents, arising out of, or incident to the ownership or care, custody, control and use of the Common Property, or legal liability arising out of employment contracts of the Association. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) a cross-liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another named insured; (ii) hired and non-owned vehicle coverage; (iii) host liquor liability coverage with respect to events sponsored by the Association; (iv) deletion of the normal products exclusion with respect to events sponsored by the Association; and (v) a

"severability of interest" endorsement which shall preclude the insurer from denying liability coverage to an Owner because of negligent acts of the Association or of another Owner. The Board shall review such limits once each year, but in no event shall such insurance be less than one million dollars (\$1,000,000.00) covering all claims for bodily injury or property damage arising out of one occurrence. "Umbrella" liability insurance in excess of the primary limits may be obtained in reasonable amounts as determined by the Board.

Section 4. Other Insurance. The Board shall obtain and maintain:

(a) adequate fidelity coverage to protect against dishonest acts on the part of directors, officers, trustees and employees of the Association and all others who handle or are responsible for handling funds of the Association, including any property manager and volunteers. If the Association has delegated some or all of the responsibility for handling funds to a property manager, such property manager shall be covered by its own fidelity insurance; however, the Board may determine to purchase additional fidelity coverage for the property manager as well. Such fidelity insurance (except for fidelity insurance obtained by the property manager for its own personnel) shall: (i) name the Association as an obligee; (ii) be written in an amount not less than one-fourth the total annual assessment for Common Expenses or the amount required by the Mortgagees, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, whichever is greatest; and (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) if required by a majority of the Mortgagees or governmental regulations, flood insurance on the Common Property in accordance with the then applicable regulations for such coverage;

(c) workers' compensation insurance if and to the extent necessary to meet the requirements of law (including a voluntary employees endorsement and an "all states" endorsement);

(d) if applicable, pressure, mechanical and electrical equipment, including air conditioning equipment coverage, on a comprehensive form in an amount not less than fifty thousand dollars (\$50,000.00) per accident per location;

(e) directors and officers liability insurance in an amount not less than one million dollars (\$1,000,000.00); and

(f) such other insurance: (i) as the Board may determine; (ii) as may be required with respect to the Additional Property by any Supplemental Declaration or Subdivision Declaration; or (iii) as may be requested from time to time by the affirmative vote cast by a majority of the Members present at a Duly Called Meeting of the Association.

Section 5. Owners. Each Owner shall have the right to obtain insurance for such Owner's benefit, at such Owner's expense, covering the Improvements located on such Owner's portion of the Property and such Owner's personal liability. No Owner shall acquire or maintain insurance coverage on the Common Property insured by the Association so as to: (i) decrease the amount which the Association may realize under any insurance policy maintained by the Association; or (ii) cause any insurance coverage maintained by the Association to be brought into contribution with insurance coverage obtained by an Owner. No Owner shall obtain separate insurance policies on the Common Property.

ARTICLE VIII

REPAIR AND RESTORATION OF THE PROPERTIES

Section 1. When Required.

(a) Common Property. Except as otherwise provided herein, if all or any part of any Improvement located in or on the Common Property is damaged or destroyed by fire or other casualty, the Board shall arrange for and supervise the prompt repair, restoration and/or replacement thereof (including all furnishings and fixtures). Unless repair is required by any applicable Legal Requirement, if the damage results in a diminution in value equal to or less than twenty percent (20%) of the estimated value of the Improvement immediately prior to the damage, the Board may elect not to repair, restore or replace the damaged Improvement. Otherwise, unless repair is required by any applicable Legal Requirement, any decision not to repair, restore or replace shall be made only by the vote of sixty-seven percent (67%) or more of the votes cast by the Members present at a Duly Called Meeting of the Association (which vote also must have the affirmative vote of a majority of the Members other than the Declarant), or may be made by the Board if the insurance proceeds, plus the applicable reserve funds, are insufficient to cover the costs of the repair, replacement or restoration and the Members fail to approve a special assessment to cover the deficiency. If the damage is not repaired, restored or replaced, then the Board shall remove all remnants of the damaged Improvements and restore the site to an acceptable condition compatible with the remainder of the Common Property, and the balance of any insurance proceeds received on account of such damage shall be placed in the appropriate reserve account.

(b) Other Portions of the Property. If a building or other Improvement located on any portion of the Property is damaged or destroyed, the Owner thereof shall restore the site either: (i) by repairing, restoring or replacing such building or other Improvement; or (ii) by clearing away the debris and restoring the site to an acceptable condition compatible with the remainder of the Property. Unless the Architectural Approval Committee permits a longer time period, such work must be commenced within six (6) months after the casualty and substantially completed within twelve (12) months after commencement. Any repair, replacement or restoration that differs in any material respect from the approved Plans for the damaged Improvements must first be approved by the Architectural Approval Committee in the manner required herein.

Section 2. Procedure for Common Property.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any Improvements in or on the Common Property, the Board shall obtain reliable and detailed estimates of the cost of repair, restoration or replacement (including furnishings and fixtures) to a condition as good as that existing before the damage occurred. Such costs may also include professional fees and premiums for such bonds as the Board determines to be necessary.

(b) Plans and Specifications. Any such repair, replacement or restoration shall be substantially in accordance with the original construction or condition of the damaged Improvements, subject to any modifications required by changes in applicable Legal Requirements, and use of contemporary building materials and technology to the extent feasible; provided, however, other action may be taken if approved in the same manner as required for approval by the Members of the Association under Section 1(a) of this Article.

Section 3. Surplus and Deficiency of Funds for Common Property Repair.

(a) **Surplus.** The first monies disbursed in payment of the cost of repair, restoration or replacement of the Improvements in or on Common Property shall be from insurance proceeds, if any. If any surplus funds remain after payment of the costs of all repair, restoration or replacement, such funds shall be paid to the Association and shall be placed in the appropriate reserve account.

(b) **Deficiency.** If the insurance proceeds plus applicable reserve funds are insufficient to repair, restore or replace the damaged Improvements in or on Common Property, a special assessment to cover the insufficiency may be levied by the Association in the manner provided in this Declaration.

Section 4. Condemnation.

(a) **Definitions.** For the purposes of this Article, "Taking" means an acquisition of all or any part of the Common Property or of any interest therein or right accruing thereto as a result of, in lieu of, or in anticipation of, the exercise of the right of condemnation or eminent domain by the City or any other Person having the power of eminent domain, or a change of street grade by the City affecting access to or from the Common Property or any part thereof so severely as to amount to condemnation.

(b) **Taking of Common Property.** If there is a Taking of all or any part of the Common Property, then the Association shall notify the Owners, but the Board shall act on behalf of the Association in connection therewith and no Owner shall have any right to participate in the proceedings incident thereto, except that any Owner may participate in the proceedings, or bring a separate action, for damages to or diminution in value of such Owner's portion of the Property resulting from the Taking of the Common Property, provided that such participation or separate action does not adversely affect the amount of any award payable to the Association for such Taking. The award made for such Taking shall be payable to the Association, to be disbursed as follows: If the Taking involves a portion of the Common Property on which Improvements have been constructed, then the Association shall restore or replace such Improvements so taken on another portion of the Common Property, to the extent land is available therefor, in accordance with plans approved by the Board, unless within sixty (60) days after such Taking the Declarant, during the Declarant Control Period, or, following the end of the Declarant Control Period, the Owners by the affirmative vote of sixty-seven percent (67%) or more of the votes cast by the Members present at a Duly Called Meeting of the Association, determine otherwise. To the extent that the Taking involves Limited Common Property, and it is determined that the Limited Common Property is not to be restored or replaced, then the proceeds for such Taking shall be credited pro-rata against annual assessments due and payable by the Owners of those portions of the Property associated with the Limited Common Property taken. Except as otherwise provided, the provisions of this Article regarding insurance proceeds, reserve funds, and special assessments, following damage or destruction to Improvements in or on the Common Property shall apply.

ARTICLE IX USE OF THE PROPERTIES; PROTECTION OF COMMON PROPERTY

Section 1. Use of the Properties. Except as otherwise allowed by this Declaration, no portion of the Property shall be used for other than commercial purposes, residential purposes, recreational purposes or substantially related purposes which are permissible under applicable City zoning ordinances. Provided, however, and notwithstanding the foregoing sentence, (i) the Declarant, Declarant's agent, any Builder selected by Declarant, or, subject to the Declarant's approval, any Person who constructs Improvements on a

portion of the Property, may Maintain sales offices, model homes and temporary construction or sales trailers or offices on any portion of the Property owned or leased by the Declarant or such Person for the purpose of conducting business related to the development, improvement, lease or sale of any portion of the Property or the construction of Improvements thereon. Provided, however, all such sales or leasing offices, model homes and temporary construction or sales trailers or offices must be specifically approved by the Declarant and must comply with all applicable Legal Requirements; (ii) Persons may Maintain Improvements on the Property as required or allowed under this Declaration; and (iii) the Declarant, any Builder selected by Declarant, and any Person authorized by the Declarant may conduct such business activities on any portion of the Property as may be necessary in connection with the Declarant's development and/or sales or marketing of any part or all of the Property.

Section 2. Damage to the Common Property. Each Owner shall be liable to the Association for any damage to the Common Property caused by the negligence or willful acts or omissions of the Owner or such Owner's family members, agents, contractors, lessees, guests or contract purchasers.

Section 3. Legal Requirements. Nothing herein contained shall be deemed to constitute a waiver of any Legal Requirement applicable to any portion of the Property, and all applicable Legal Requirements relative to the construction of Improvements on, and/or use and utilization of, any portion of the Property shall be complied with by the Owners and occupants of such portions of the Property. Provided, that in any instance in which the provisions of this Declaration impose a more restrictive requirement than the applicable Legal Requirements, the provisions of this Declaration shall be complied with in addition to the applicable Legal Requirements.

Section 4. New Construction. Except as otherwise provided in this Declaration, new construction only shall be permitted on the Property, it being the intent of this Section to prohibit the placement of any existing building or structure onto any portion of the Property. Provided, however, the foregoing shall not be construed as prohibiting remodeling of, or construction of additions to, existing Dwelling Units or other Improvements that previously have been constructed in compliance with this Declaration.

Section 5. Rules and Regulations. Subject to the provisions hereof, the Board of Directors may establish reasonable rules and regulations concerning the use of Lots, Dwellings, and the Common Elements, and facilities located thereon. In particular, but without limitation, the Board of Directors may promulgate, from time to time, rules and regulations that will govern activities that may, in the judgment of the Board of Directors, be environmentally hazardous, such as application of fertilizers, pesticides, and other chemicals. The Association will furnish copies of such rules and regulations, and amendments thereto, to all Owners prior to the effective date of such rules and regulations and amendments thereto. Such rules and regulations will be binding upon the Owners and Occupants until and unless any such rule or regulation is disapproved by a majority or more of the votes of the entire Association at a special meeting of Members called therefor and held pursuant to the provisions of the Bylaws, which percentage will also constitute the quorum required for any such meeting. Any action by the Board to adopt, overrule, cancel or modify any rule or regulation, or any vote of Members disapproving any rule or regulation, will not be effective and binding upon the Owners and Occupants until and unless the same is approved by the Declarant during the Development Period.

5.01. Authority and Enforcement. Subject to the provisions of Section 5.02 herein, upon the violation of this Declaration, the Bylaws, or any rules and regulations duly adopted hereunder, including, without limitation the failure to timely pay any Assessments, the Board will have the power (i) to impose reasonable monetary fines which will constitute an equitable charge and a continuing lien as a specific Assessment; (ii) to suspend an Owner's right to vote in the Association; or (iii) to suspend and Owner's or

Occupant's right to use any of the Common Elements. The Board will have the power to impose all or any combination of these sanctions, and may establish each day a violation remains uncured as a separate violation for which a fine is due; provided, however, an Owner's access to its property over private roads and streets constituting Common Elements will not be terminated hereunder. An Owner or Occupant will be subject to the foregoing sanctions in the event of such a violation by such Owner or Occupant. Any such suspension of rights may be for the duration of the infraction and for any additional period thereafter, not to exceed thirty (30) days.

5.02. Procedure. Except with respect to the failure to pay Assessments, the Board will not impose a fine, suspend voting rights, or infringe upon or suspend any other rights of an Owner or other Occupant of the Property for violations of the Declaration, Bylaws or any rules and regulations of the Association, unless and until the following procedure is followed:

(a) Demand to Cease and Desist. Written demand to cease and desist from an alleged violation will be served upon the Owner responsible for such violation specifying:

- (i) The alleged violation
- (ii) The action required to abate the violation; and
- (iii) A time period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the Bylaws, or of the rules and regulations of the Association may result in the imposition of the sanctions after notice and hearing.

(b) Notice and Hearing. Within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs, the Board may serve such Owner with written notice of a hearing to be held by the Board in executive session. The notice will contain:

- (i) The nature of the alleged violation;
- (ii) The time and place of the hearing, which time will be not less than ten (10) days from the giving of the notice;
- (iii) An invitation to attend the hearing and produce any statement, evidence, and witnesses on his behalf; and
- (iv) The proposed sanction to be imposed.

(c) Hearing. The hearing will be held in executive session of the Board of Directors pursuant to the notice and will afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if a copy of the notice together with a statement of the date and matter of delivery is entered by the officer, director, or other individual who delivered such notice. The notice requirement will be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction imposed, if any.

Section 6. Prohibited Uses Generally. The following shall not be permitted on the Property: labor camps; commercial storage of building or construction materials (except by Builders selected by Declarant temporarily in connection with the repair, maintenance or construction of Units or Common Elements, provided, however, such materials may be stored within the Common Elements only as permitted by the Board of Directors of the Association and in such areas as the Board of Directors may designate and provided further no such use of the Common Elements shall interfere with or obstruct the access or parking necessary for the operation of the other Units and shall not otherwise unreasonably interfere with the normal use of such Units); smelting of iron, tin, zinc or other ores; refining of petroleum or of petroleum products; flea markets, open air stalls or carnivals; rodeos; horse shows; shooting or athletic events (provided, however, that a fitness center shall be permitted); fortune telling; sales lots for prefabricated structures; tire recapping plants; sales, leasing, and service of farm and heavy construction equipment and implement (provided however, farm equipment and the like related to community farms as may be approved by the Declarant, may be used and stored in designated areas); truck terminals; lumber, planing or sawing mills; pulpwood yards; storage yards; taxidermy; cemeteries (public and private); commercial poultry, livestock, and swine production; cattle feeder lots or fur-bearing animal rearing or breeding farms; abattoirs; junk yards; baling, storage or processing scrap metal, glass, paper or rags, or storage or processing of wrecked or junked motor vehicles; quarries; race tracks; raceways or dragstrips; truck stops; sanitary landfills; trailer or mobile home parks; any type of outdoor storage; nude or semi-nude dance clubs; massage parlors (excluding day spas, medical treatment and therapeutic facilities allowed by applicable zoning laws) or cinemas or bookstores selling or exhibiting as the principal portion of its business material of a pornographic or adult nature. No Unit or other portion of the Property shall be used for any business the operation of which would result in the escape, disposal or release of any amount of biologically active, toxic or hazardous wastes, materials, or substances, or any other substance that is prohibited, limited or regulated by any governmental or quasi-governmental authority or that, even if not so regulated, could or does pose a hazard to health and safety of the occupants of the Unit or surrounding property (collectively "Hazardous Substances") in violation of any applicable Environmental Laws (as hereinafter defined). No Unit or other portion of the Property shall be used for the storage or use of said Hazardous Substances in any manner prohibited by law or otherwise inconsistent with customary residential uses or commercially reasonable standards for the storage and use of such Hazardous Substances, nor shall any Owner allow to be brought into the Units or onto the Property any such Hazardous Substances except to use in the ordinary course of any Owner's residential use or business and in compliance with all applicable laws. All Units and other portions of the Property will, at all times, be kept and maintained so as to comply with all existing or hereafter enacted or issued statutes, laws, rules, ordinances, orders, permits, and regulations of all state, federal, local, and other governmental and regulatory authorities, agencies, and bodies applicable to the Property, pertaining to environmental matters, or regulating, prohibiting or otherwise having to do with asbestos and all other toxic, radioactive, or hazardous wastes or materials including, but not limited to, the Federal Clean Air Act, the Federal Water Pollution Control Act, and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as from time to time amended ("Environmental Laws").

Section 7. Temporary Structures Prohibited for Dwelling Use. No temporary structure, including a construction trailer, sales trailer, partially completed Dwelling, tent or other temporary structure, shall be used on any portion of the Property at any time as a Dwelling Unit (provided, however, the foregoing shall not prohibit or restrict use of a utility apartment in connection with a Detached Dwelling Unit when approved as provided in this Declaration).

Section 8. Wetlands and Riparian Areas. Portions of the Property may have been determined to meet the requirements for designation as a regulatory wetland or riparian area. Notwithstanding anything to the

contrary that may appear herein or in any restrictive covenants applicable to such portions of the Property, any subsequent fill or alteration of any portion of the Property that has been determined to be a regulatory wetland or riparian area under applicable laws of the United States or the State of North Carolina shall conform to the requirements of applicable wetland or riparian area rules adopted by the United States or the State of North Carolina and in force at the time of the proposed alteration. The intent of this paragraph is to prevent additional wetland or riparian area fill, so the Owner of any such portion of the Property should not assume that a future application for fill or alteration of a wetland or riparian area will be approved. The Owner of any such portion of the Property subject to any such future application shall report the name of the development (in this case, 751 South), together with the name of the particular phase, section or subdivision within the Property, in any application pertaining to wetland or riparian area rules. The provisions of this paragraph are intended to ensure continued compliance with wetland and riparian area rules adopted by the United States or the State of North Carolina and this covenant may be enforced by the United States or the State of North Carolina. The provisions of this paragraph shall run with the Property and be binding on all Owners of any part or all of the Property and all persons claiming under them.

Section 9. Animals. No animals of any kind (including livestock, reptiles or poultry) shall be kept or Maintained on any portion of the Property used for residential purposes (whether single-family or multi-family) or in any Dwelling used for residential purposes (whether single-family or multi-family) except that dogs, cats or other household pets may be kept or Maintained, provided that they are not kept or Maintained for breeding or other commercial purposes; that they do not create a nuisance (in the judgment of the Board), by number of animals, noise, odor, damage or destruction of property, animal waste, or any other reason; and further provided that they are kept and Maintained in compliance with all applicable Legal Requirements and such rules and regulations pertaining thereto as the Board may adopt from time to time, which rules and regulations may include requirements that all such animals be kept on a leash whenever they are anywhere on the Property other than on the Owner's portion of the Property, and, unless consented to by the Owner of such Facility, all such animals shall at all times be kept off of each Recreation Facility. The Owner responsible for an animal being on the Property shall promptly clean up or remove from the Property all solid bodily wastes from that animal. Notwithstanding the foregoing, in no event shall more than two (2) dogs and two (2) cats be regularly kept on any Lot or in any Dwelling Unit.

Each Owner who keeps or Maintains any animal upon any portion of the Property used for residential purposes (whether single-family or multi-family) shall be deemed to have indemnified and agreed to hold harmless the Association, all other Owners, and the Declarant, from and against any loss, claim for damages to person or property, cause of action, or liability of any kind, including all costs of defending against same (including reasonable attorney fees), arising out of or resulting from such keeping or Maintenance of the animal on the Property, including any actions of the animal. An easement over and upon the Property hereby is reserved for the City to exercise and enforce all applicable Legal Requirements relating to animal control. This Section 10 of Article IX shall not apply to veterinary practices and animal boarding facilities associated with veterinary practices, which shall be a permitted use upon Declarant approval.

Section 10. Antennas and Other Attachments. No permanent attachments of any kind or character whatsoever (including, but not limited to, television and radio antennas and satellite dishes or other device for reception of television or radio signals) shall be made to the roof or exterior walls of any Dwelling or other building on any portion of the Property, nor shall the same be located on any portion of the Property outside of any Dwelling or other building, unless such attachments first shall have been submitted to and approved by the Architectural Approval Committee. Generally, exterior antennas, satellite dishes greater than one meter (39 inches) in diameter or located in or on the front of a Dwelling or other building, will not be allowed on the Property. Provided, however, the Association shall not prevent access to telecommunication services in

violation of any applicable Legal Requirement. Further provided: (i) an Owner may install an antenna permitted by any applicable architectural guideline upon prior written notice to the Architectural Approval Committee; (ii) the Architectural Approval Committee may approve other antennas in appropriate circumstances; (iii) the Architectural Approval Committee may establish additional guidelines as technology changes; and (iv) approval of such devices will not be unreasonably withheld, conditioned or delayed. Further provided, the Board may install and maintain antennas, satellite dishes or similar equipment in or on the Common Property to serve the Property. No outdoor clotheslines shall be allowed on any portion of the Property.

Section 11. Boats, etc. No motorboat, houseboat or other similar water-borne vehicle, airplane, travel trailer, other trailer, or "camper" vehicle shall be Maintained, stored or kept on any portion of the Property except in (i) enclosed garages or (ii) storage areas whose size, location and screening materials are approved by the Architectural Approval Committee.

Section 12. Fences, Walls and Hedges. Except as specifically approved in writing by the Architectural Approval Committee, no fence, wall or hedge shall be Maintained on any portion of the Property nearer to any street adjoining the front of such portion of the Property than the front corner of the Dwelling Unit or other main building thereon, and shall not exceed six (6) feet in height unless otherwise specifically required by the City. All fences, walls and hedges on the Property shall be Maintained at all times in a structurally sound and attractive manner and in a good state of repair. All fences, walls and hedges on the Property shall be of materials and design approved by the Architectural Approval Committee, and no fence, wall or hedge shall be Maintained on any portion of the Property until the Owner thereof has obtained written approval therefor from the Architectural Approval Committee. Provided, however: (i) the foregoing shall not be construed to prohibit or require prior Architectural Approval Committee approval for, any "silt" fencing or other soil erosion control fencing necessary under applicable Legal Requirements in connection with the construction of Improvements on the Property; and (ii) the Declarant or the Association may install and Maintain such decorative or other fencing, walls and hedges as the Declarant or the Association deems appropriate on any Landscaped Right-of-Way, Landscape Easement, Sign Easement or Common Property without obtaining the prior approval of the Architectural Approval Committee and free of the foregoing restrictions.

Section 13. Harmful Discharges. There shall be no emissions of dust, sweepings, dirt, cinders, odors, gases or other substances from any portion of the Property into the atmosphere (other than normal, residential chimney or outdoor grill emissions), and there shall be no production, storage or discharge of hazardous wastes from or on any portion of the Property, and there shall be no discharges of liquid or solid wastes or other harmful matter into the ground, sewer or any body of water within the Property, if such emission, production, storage or discharge may adversely affect the use or Intended Use of any portion of the Property, or may adversely affect the health, safety or comfort of the occupants of the Property. Provided, however, the foregoing prohibitions shall not prevent or interfere with the reasonable development or Maintenance of any portion of the Property by the Declarant or any other Owner thereof in accordance with applicable Legal Requirements, nor shall they prevent the reasonable use, handling, storage and disposal of medically related hazardous substances and wastes in compliance with all applicable Legal Requirements.

Section 14. Home Businesses and Other Activities. An Owner may maintain an office or home business in such Owner's Dwelling if the Owner is a Builder or: (i) such office or home business is operated by the Owner or a member of the Owner's household residing in the Dwelling; (ii) there are no displays or signs indicating that the Dwelling is being used other than as a residence; (iii) such office or business does not generate significant traffic or parking usage (as determined by the Board) by clients, customers or other

Persons; (iv) no equipment or other items related to the office or business is stored, parked or otherwise kept outside of an approved enclosure; (v) such Owner has obtained from the City, and maintains in effect, all required approvals for such use; (vi) the activity is consistent with and complies with all Legal Requirements; (vii) no person is employed in such office or home business except for the Owner or the members of the Owner's household residing in the Dwelling; and (viii) the Owner has obtained prior written approval from the Board and thereafter registers annually with the Association as long as the operation of the home business continues. As a condition to such use, the Board may require the Owner to pay any increase in the rate of insurance, trash removal, utilities or other costs for the Association or other Owners which may result from such use. Garage sales, yard sales and similar activities shall be conducted only in accordance with the rules and regulations adopted by the Association and all applicable Legal Requirements. Nothing herein shall prohibit a builder of the initial improvements on the Property from operating a model home or utilizing a model home as an office for sales purposes within the Property.

Section 15. Hunting; Discharge of Firearms. Hunting and trapping of wild animals, fowl and game and the discharge of firearms and/or bows and arrows within the Property is prohibited, unless required for public safety.

Section 16. Landscaping; Utility Lines. No fence, wall, tree, hedge or shrub planting which obstructs sight lines for vehicular traffic on public or private streets or driveways in the Property shall be placed or permitted to remain on any portion of the Property. Pavement, plantings and other landscape and decorative materials shall not be placed or permitted to remain on any portion of the Property: (i) if such materials may damage or interfere with any easement for the installation or Maintenance of utilities; (ii) in violation of the requirements of such easements; (iii) unless in conformity with applicable standards of the public utility provider; or (iv) if such materials may unreasonably change, obstruct or retard the direction or flow of any storm water drainage channels. Otherwise, an Owner may install and Maintain the foregoing materials within utility easements located on such Owner's portion of the Property, but such Owner assumes the risk of loss from the lawful exercise of rights in and to the easement in which such materials are located. Except for hoses, temporary lines and other equipment reasonably necessary in connection with construction or Maintenance activities or normal landscape or yard Maintenance, no water pipe, sewer pipe, gas pipe, storm water drainage pipe, television or telephone cable, electric line or other, similar transmission line shall be installed or Maintained above the surface of the ground on any portion of the Property, except for those located in easements Maintained by the City or applicable public utility provider or otherwise required by the City or applicable public utility provider, or as approved by the Declarant during the Development Period, or as approved by the Board following the end of the Development Period.

Section 17. Lighting. No exterior lighting on any portion of the Property shall be directed outside the boundaries of such portion of the Property, except for required street and parking lot lighting and as otherwise approved by the Architectural Approval Committee. Floodlights directed toward a Dwelling or other building shall be permitted when used in a reasonable manner. All exterior lighting that is not in conformity with applicable architectural guidelines, if any, shall be approved in writing by the Architectural Approval Committee prior to the installation or use thereof.

Section 18. Mailboxes and Newspaper Tubes. All mailboxes, unless affixed to a Dwelling Unit or other building (which may occur only if approved by the Architectural Approval Committee or if required by any Legal Requirement), or unless located in a central or shared location for use by residents of Attached Dwelling Units or Apartment Units as approved by the Architectural Approval Committee, shall be affixed to a substantial pole or stand permanently placed in the ground and shall not be located within a sidewalk. Newspaper tubes shall conform to the architectural guidelines for same, if any. Architectural guidelines with

respect to mailboxes and newspaper tubes may require, prohibit, restrict or specify one or more of the following: method and type of support; style; material; color; size; height; and one or more of the foregoing with respect to the numbering and/or lettering to be placed on a mailbox or newspaper tube, or affixed thereto.

There may be different mailbox and newspaper tube requirements for the various elements within the Property.

Section 19. Motorized Vehicles; On-Street Parking. All motorized vehicles operating within the Property, including automobiles, motorcycles, and trucks, must have proper and adequate mufflers. Each Owner shall provide for adequate parking space on such Owner's portion of the Property (or adequate parking space shall be provided on Sub-Association Common Property, if applicable) for all motorized vehicles and bicycles regularly used in connection with such portion of the Property. No vehicles of any kind or any other apparatus designed for movement over and upon streets or highways (whether self-propelled or not) shall be parked in the Common Property (except in areas, if any, designated from time to time for parking by the Declarant during the Development Period and thereafter, by the Board). Commercial trucks and flat bed trailers owned by or under the control of any Owner or such Owner's family members, agents, contractors, lessees or contract purchasers, shall not be parked overnight within the Property, with the following exception: unless prohibited by applicable Legal Requirements, with the Declarant's permission (during the Development Period, and thereafter, with the permission of the Board) vehicles used in connection with the construction of Improvements within the Property or on the Declarant's Additional Property may park overnight in such areas. The foregoing restriction on trucks and trailers is not applicable to private, non-commercial trucks, vans, mini-vans and sport utility vehicles. Recreational vehicles (including but not limited to motorized campers, four wheelers, boats, canoes, kayaks, dirt bikes and similar vehicles), utility trailers, camper, commercial weighted vehicles and the like are prohibited in all parking areas on the Property except where may be specifically provided by the Declarant or the Board. Notwithstanding the foregoing, golf carts shall be permitted in such areas of the Property as are designated by the Board. In addition to and supplemental to the foregoing, except as prohibited by applicable Legal Requirements the Association may promulgate and enforce rules and regulations relating to parking by Owners and Owners' family members, agents, contractors, lessees or contract purchasers within the Property.

Section 20. Noises. No Person shall cause any unreasonably loud noise, except for security devices used in the manner intended therefor, anywhere on the Property, nor shall any Person permit or engage in any activity, practice or behavior resulting in significant and unjustified annoyance, discomfort or disturbance to any Person lawfully present on any portion of the Property. Provided, however, the prohibition against noises contained in this Section shall not preclude or limit activities on any Common Property or Recreation Facility, when such activities are conducted in accordance with any applicable rules and regulations of the Association, including, social events, swim meets or tennis exhibitions or matches. Further provided, the foregoing prohibitions shall not prevent or interfere with the reasonable development or Maintenance of any portion of the Property by the Declarant or any other Owner thereof in accordance with applicable Legal Requirements.

Section 21. Nuisance and Other Matters. No noxious or offensive activity shall be conducted upon any portion of the Property, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. Provided, however, the usual, customary or reasonable use and Maintenance of any Recreation Facility located within or Contiguous to the Property, shall not constitute a nuisance. Further provided, the operation and use of any Common Property or any Recreation Facility in accordance with any applicable rules and regulations of the Association, including social events, swim meets or tennis exhibitions or matches, shall not constitute a nuisance. Further provided, the development of the Property by the Declarant and others, and the usual, customary or reasonable construction and Maintenance of Dwellings and other Improvements in the Property, shall not constitute a nuisance.

No trade materials or inventories (other than materials used for construction of Dwellings or other approved buildings or other Improvements) shall be stored upon any portion of the Property and no tractors, inoperable motor vehicles, rubbish, trash, or unsightly materials of any kind shall be stored, regularly placed, or allowed to remain on any portion of the Property unless adequately screened as approved by the Architectural Approval Committee, except that trash, leaves, tree limbs, materials for recycling pick-up and similar items may be kept or placed temporarily and only for such time as is reasonably necessary to enable the City or appropriate private entity to remove same, and inoperable motor vehicles may be stored if the same are kept entirely in an enclosed garage. Provided, however, as approved by the Declarant during the Development Period (and thereafter, by the Board), trucks and/or other construction vehicles, materials and equipment may be allowed to remain on the Property temporarily during construction of roads, utilities, any Recreation Facility and other Improvements on the Property, and such vehicles, materials and equipment also may be allowed to remain on the Property during construction or Maintenance on the Property of Dwellings and/or other Improvements which have been approved by the Architectural Approval Committee. Notwithstanding the foregoing, no vehicle of any type or size which transports inflammatory or explosive cargo or which stores or transports materials or substances defined as hazardous or toxic by any applicable Legal Requirements shall be kept or stored or allowed to remain in or on the Property at any time, except as may be required to effectuate transportation or removal of such prohibited materials and substances through or from the Property, or, with respect to explosive materials, as may be reasonably required in connection with the construction or installation of streets and utilities in the Property, or as may be allowed by the Declarant (during the Development Period, and thereafter, by the Board) when reasonably required for the construction of other Improvements within the Property.

Section 21. Obstructions, etc. There shall be no obstruction of the Common Property, or Pedestrian Access Easements, nor shall anything be kept, stored, altered, constructed or planted in or on the Common Property, or removed (except as necessary to prevent injury to person or property) therefrom, without the prior consent of the Declarant, during the Development Period, and, thereafter, the Board, or unless in the exercise of any valid easement over any portion of the Common Property. Provided, however, and subject to applicable Legal Requirements, the Association, the Declarant and Builders (with the Declarant's consent during the Development Period and thereafter, with the consent of the Board) shall have the right to Maintain signs on the Common Property and to Maintain in the Common Property such materials, equipment and other apparatus as may be reasonably necessary to enable the Association to perform its functions and provide the services under this Declaration, or to enable the Declarant or Builders to develop, market and sell any part of the Property. Provided, however, the Association, the Declarant and each Builder who uses the Common Property for any of the foregoing purposes, after completing such use shall promptly repair all damages to the Common Property resulting therefrom and restore the Common Property to substantially the same condition it was in prior to such use. The rights of use and enjoyment of the Common Property conferred upon Owners by this Declaration do not include the right to interfere with the Declarant's or the Association's use or Maintenance of the Common Property.

Section 22. Prohibition on Use for Streets. Unless required by applicable Legal Requirements, without the express written consent of the Declarant during the Development Period (and, thereafter, by the Board), no part of any Development Parcel, Lot OR Unsubdivided Land may be used, established or dedicated as a public street right of way or a private street right of way or driveway if one of the purposes or results thereof is to provide pedestrian or vehicular access to any property that is not part of the Property.

Section 23. Restricted Actions by Owners. No Owner shall do or permit anything to be done or kept within the Property or on the Common Property which will result in the cancellation of or increase in the cost

of any insurance carried by the Association, or which would be in violation of any Legal Requirement or any rule or regulation established by the Association. No waste shall be committed on the Common Property, except as may be necessary to enable the Declarant, the Association or other Person to exercise any rights reserved to them hereunder, or except as may be necessary to enable the Association to perform its functions and provide services under this Declaration, or except as may be reasonably necessary in connection with the exercise by the City or any Person of an easement over, under or through the Common Property. Each Owner shall comply with all Legal Requirements applicable to any part or all of the Property, including applicable zoning ordinances and building codes.

Section 24. Sewer Systems. No private sewage system shall be used in connection with any portion of the Property to which the City supplies sanitary sewer services.

Section 25. Signs and Flags. No sign of any kind shall be displayed to the public view on any portion of the Property except for signs which are approved by the Declarant (during the Development Period, and thereafter, by the Board or Architectural Approval Committee) and which are for one or more of the following purposes: (i) advertising a portion of the Property for sale or rent; (ii) advertising the building contractor constructing Improvements on a portion of the Property during the initial construction and sales period; (iii) identifying the sales office and/or model home of the Owner of a Development Parcel, Lot or Unsubdivided Land; (iv) identifying the subdivision name of the Property or of a phase, section or subdivision of the Property, or the number or street address of any portion of the Property; (v) identifying any portion of the Common Property; (vi) signs required by the City, whether or not approved by the Declarant; (vii) any other purpose approved by the Declarant (or by the Association, following the end of the Development Period); and (viii) as to any portion of the Property developed for commercial purposes, signs advertising the business present within the commercial development (so long as such signs are in compliance with all applicable sign ordinances). However, the foregoing limitations shall not restrict or prohibit the Declarant (or, at the appropriate time, the Association) or the City from Maintaining on any portion of the Property signs describing the identity, location, or "for sale" character of the Property, or portions thereof, or signs identifying various elements of the Property, or regulatory, street and directional signs. All signs Maintained on any portion of the Property must comply with all applicable Legal Requirements.

Notwithstanding anything to the contrary herein, the following provisions of this Paragraph 25 shall apply to the Property. The display of political signs is permitted; provided, however, there shall be no display of political signs earlier than 45 days before the day of the election nor later than seven days after an election. Further no political sign may be larger than 24 inches by 24 inches in accordance with N.C.G.S. 47F-3-121 of the Act. For purposes of this section a political sign means a sign that attempts to influence the outcome of an election, including supporting or opposing an issue on an election ballot. Further, no pole or other device for the display of decorative flags shall be erected or displayed on or about any Townhome Lot, Single Family Lot, or in the Common Elements unless approved in advance by the Association. In the event that the Association approves installation of a pole or device for the display of decorative flags, any such flags displayed by any Owner shall be in good taste and shall not contain lewd or offensive displays or material. The display of the flag of United States or North Carolina is permitted as long as its size is no greater than 4 feet by 6 feet and it is displayed in accordance with or in a manner consistent with the patriotic customs set forth in 4 U.S.C. § 5-10, as amended. No flag (North Carolina or United States included) of a size greater than 4 feet by 6 feet shall be displayed or erected on or about the exterior of any Lot or Common Element.

Section 26. Soil Erosion Control. During all periods of construction on any portion of the Property, the Owner thereof shall Maintain proper and adequate soil erosion control to protect the Property, including all

lakes and ponds thereon, from accumulated silt, debris and soil erosion, and such Owners shall be liable for damages caused by or resulting from any failure to Maintain such proper and adequate soil erosion control.

Section 27. Tree Cutting. No live trees with a diameter in excess of six (6) inches (a circumference of 18.75 inches), measured twelve (12) inches above the ground, nor "flowering trees" (such as dogwood or redbud) or broad leaf evergreens (such as holly, laurel or rhododendron) trees in excess of two (2) inches in diameter (a circumference of 6.25 inches), similarly measured, no live vegetation on slopes of greater than twenty percent (20%) gradient or marked "no cut" areas on architectural plans approved by the Architectural Approval Committee, may be cut without the prior written approval of the Architectural Approval Committee, unless necessary to construct Improvements based on Plans approved by the Architectural Approval Committee or as reasonably required to prevent injury to Persons or property. The Board (or Architectural Approval Committee, as delegated by the Board) may adopt rules and regulations for cutting of trees to allow for selective clearing or cutting. Provided, however, in no event shall live trees be cut or removed in violation of any applicable Legal Requirements.

Section 28. Utility Yards. Utility yards shall be established for Lots and Development Parcels as required by the Architectural Approval Committee in connection with its approval of the Plans for Improvements thereon. A "utility yard" is an area within which one or more of the following is located: pens, yards and houses for pets; above ground garbage and trash cans or receptacles, above ground and exterior air-conditioning, heating and other mechanical equipment, meters, transformers and other utility equipment; and all other buildings, structures and objects determined by the Architectural Approval Committee to be of a similar nature to the foregoing items or determined by the Architectural Approval Committee to be of an unsightly nature or appearance. Each utility yard shall be walled or fenced or otherwise screened from view as required by the Architectural Approval Committee. Provided, however: (i) this Section shall not prohibit location of trash cans, meters, transformers or other equipment in such places outside of utility yards as required by the City or applicable public utility provider, as long as such items are screened from view as required by the Architectural Approval Committee; (ii) this Section shall not prohibit a utility yards that serve more than one Dwelling Unit, it being specifically contemplated by this Declaration that, generally, each Lot on which a Detached Dwelling Unit is located will have its own, separate utility yard, and that Attached Dwelling Units and Apartments Units will not have their own, separate utility yards but will share utility yards with other Attached Dwelling Units and Apartment Units, as the case may be.

Section 29. Water Systems. No private water system shall be used in connection with any portion of the Property to which the City supplies water services.

Section 30. Office and Retail Character. Except as provided in this Declaration, no portion of a Commercial Lot shall be used for other than general office, retail and commercial uses and the related common purposes for which the Commercial Lot was designed.

Section 31. Exception for the Declarant. Notwithstanding any other provision of this Declaration or any other Governing Documents, during the Development Period the restrictions contained in this Article and the rules or regulations of the Association with respect to matters addressed in this Article: (i) shall not prohibit or restrict the Declarant from developing any infrastructure (for example, water lines, sanitary sewer lines, streets, street lights and sidewalks) in the Property; and (ii) shall not prohibit or restrict the Declarant (or any Builder with the Declarant's consent) from marketing or selling any part or all of the Property. Provided, however, and notwithstanding the foregoing exemptions, the Declarant and all Builders shall at all times be subject to the provisions of Sections 27 and 28 of this Article.

Section 32. Leasing of Residential Lots. Leasing of Townhome Lots, Attached Dwelling Units and Single Family Lots shall only be undertaken with the following restrictions:

(a) Any Owner who rents or leases his or her Lot to a tenant shall not be entitled to use and enjoy any common facilities on the Common Area during the period the Lot is occupied by such tenant.

(b) No Owner shall lease or rent less than an entire Lot. Owners shall have the right to lease or rent their Lots, provided that any lease or rental agreement between an Owner and a tenant shall be in writing and shall provide that it is in all respects subject to the provisions of the Governing Documents and that any failure by the tenant to comply with such provisions shall be a default under the rental agreement or lease. However, the failure of any lease or rental agreement to so provide shall not excuse any person from complying with the provisions of the Governing Documents. No Owner shall place a "For Rent" sign or other such similar sign on its Lot to advertise the Lot for rent.

(c) In the event an Owner shall rent or lease his or her Lot such Owner shall immediately give to the Association in writing:

- (i) the name of the tenant and the Lot rented or leased;
- (ii) the current address of such Owner;
- (iii) a true and complete copy of the lease or rental agreement; and
- (iv) the certification of the Owner that the tenant has been given a copy of this Declaration, any applicable amendments, the Bylaws and the Rules and Regulations and that such tenant has been advised of any obligations he may have thereunder as a tenant.

(d) In no event shall any lease or rental agreement release or relieve an Owner from the obligation to pay regular and special assessments to the Association, regardless of whether the obligation to pay assessments has been assumed by the tenant in such lease or rental agreement.

(e) With respect to any tenant or any person present on any Lot other than the Owner and the members of the Owner's immediate family permanently residing with the Owner on the Lot, if such Person shall materially violate any provision of the Declaration, the Articles, the Bylaws, or the Rules and Regulations, or shall create a nuisance or an unreasonable and continuous source of annoyance to the Owners or shall willfully destroy Common Area property or personal property of the Association, then upon written notice by the Association such Person shall be required to immediately leave the Property and if such Person does not do so, the Association is authorized to commence an action to evict such Person and, where necessary, to enjoin such Person from returning. The expense of such action including attorneys' fees may be assessed against the applicable Owner and collected as a special assessment pursuant to Article VI hereof. The foregoing is in addition to any other remedy available to the Association. The Association shall provide notice to the Owner of a leased Lot concurrently with any notices sent to the tenant of such Lot, and such Owner shall have the right to participate in any hearing or eviction proceeding. The right of eviction provided for herein shall be included in all leases or rental agreements between an Owner and a tenant, but the omission from a lease or rental agreement of such provision shall not affect the Association's right to evict as permitted herein.

ARTICLE X ARCHITECTURAL APPROVAL

Section 1. Architectural Approval Committee - Jurisdiction and Purpose. With respect to all portions of the Property, except for ordinary and routine repairs and Maintenance, and excluding areas within a Dwelling or other building visible from the exterior only because of the transparency of glass doors, walls or windows, no site preparation, no change in grade or slope, no construction of any Dwelling or other building or Improvement, and no exterior additions or alterations to any Dwelling or other building or Improvement, shall be commenced, nor shall any of the same be placed, altered or allowed to remain thereon, until the "Architectural Approval Committee" has approved in writing the Plans therefor. The Architectural Approval Committee is established to assure that the Property and Improvements thereon are constructed and Maintained in a manner that provides for harmony of external design and location in relation to any surrounding Improvements, natural features and topography, that avoids Improvements deleterious to the aesthetic or property values of the Property, and that promotes the general welfare and safety of the Owners. Notwithstanding anything to the contrary expressed or implied herein, all Improvements constructed or Maintained by the Declarant or the Association, all portions of the Property owned by the Declarant, all Common Property, and all portions of the Property owned by the City are specifically excluded from the requirements of this Article.

Notwithstanding the foregoing, as to any Builder selected by Declarant, Declarant will provide approval of all matters included within the definition of "Plans." Once granted, such approval shall be irrevocable and binding on the Architectural Approval Committee as to any Lots owned by such Builder or subject to any contract to purchase of Builder. Once approval is granted, a Builder shall not be obligated to obtain approvals from the Board or Committee for improvements that conform to the Plans.

Section 2. Composition. Declarant has the sole and continuing right to appoint, remove and replace any or all of the members of the Architectural Approval Committee. Following the end of the Development Period, the Board has the sole and continuing right to appoint, remove and replace any or all of the members of the Architectural Approval Committee, unless the Declarant, in the Declarant's sole option, and as applicable herein, extends the Development period solely for the purposes of appointing the Architectural Approval Committee or approving Plans pursuant to Article X of this Declaration for initial Improvements on the Property. The Architectural Approval Committee shall consist of not less than three (3) or more than five (5) individuals, each of whom generally is familiar with the development design matters for the Property. In addition to the foregoing, at any time and from time to time the Declarant may assign to the Board its right to appoint, remove or replace members of the Architectural Approval Committee, but the Board shall not assign its right to appoint, remove or replace such members.

During the Development Period the Declarant (and thereafter, the Board, subject to the exception herein provided), in its sole discretion, may at any time and from time to time appoint two separate Architectural Approval Committees, one for the purpose of reviewing Plans for initial Improvements, and the other to review Plans for subsequent new Improvements and alterations or additions to existing Improvements, the specific division of authority between such Architectural Approval Committees to be as specified by the Declarant (during the Development Period, and thereafter, by the Board). Each such Architectural Approval Committee separately shall be subject to and shall comply with the provisions of this Declaration applicable to the Architectural Approval Committee, including the appointment, removal and replacement of its members and the review of Plans by the Architectural Approval Committee. Upon the time that all of the initial Improvements have been completed on the Property, Declarant's sole and continuing

right to appoint, remove and replace any or all of the members of the Architectural Approval Committee, and to extend the Development Period for such purposes as provided for herein, shall end.

Section 3. Procedure.

(a) Unless otherwise permitted by any applicable architectural guidelines, not less than thirty (30) days prior to the commencement of any construction, alteration, addition, or placement of any Improvement requiring approval by the Architectural Approval Committee (which time period may be waived, in the sole discretion of the Architectural Approval Committee), Plans for the proposed Improvement shall be submitted to the Architectural Approval Committee, in such format and in such numbers or sets (not to exceed three) as the Architectural Approval Committee may require. The Plans shall be submitted by or on behalf of the Owner of the portion of the Property subject to the request for approval. The Architectural Approval Committee shall have the right to refuse to approve any Plans for Improvements which are not, in its sole discretion, suitable or desirable for the Property, including purely aesthetic reasons. Unless a written response is given by the Architectural Approval Committee within thirty (30) days following its receipt of the required number of complete sets of Plans and payment by the applicant Owner of any applicable processing fee and consulting fees, the Plans shall be deemed approved. Decisions of the Architectural Approval Committee shall be by a simple majority vote of its members present at a meeting thereof (or by written consent of a simple majority of all the members of the Architectural Approval Committee). The written response of the Architectural Approval Committee may be an approval, a denial of approval, a conditional approval, or a request for additional information. A request for additional information shall be deemed a determination that the information submitted was incomplete or inadequate, and the thirty (30) day time period for further Architectural Approval Committee response shall commence only upon receipt of the requested additional information. If conditional approval is granted, and construction, alteration, addition or placement of the Improvement thereafter commences, the conditions shall be deemed accepted by the applicant Owner, and the conditions imposed shall become fully a part of the approved Plans. Any modification or change in the Plans submitted to and approved by the Architectural Approval Committee must again be submitted to the Architectural Approval Committee for its inspection and approval in accordance with the foregoing requirements, or such other procedures as adopted by the Architectural Approval Committee. If the Plans are approved, or conditional approval is given, at least one set of Plans shall be retained by the Architectural Approval Committee and at least one set of Plans shall be returned to the applicant Owner. The Architectural Approval Committee shall keep such other records of its activities as it is instructed to keep by either the Declarant or the Board, whichever is applicable. Notwithstanding anything to the contrary herein, all architectural approvals with respect to any portion of the Property given by the Declarant prior to the recordation of this Declaration shall not be affected by this Declaration.

(b) During the Development Period the Declarant (and, thereafter, the Board, subject to the exception herein provided) may from time to time adopt procedures for conducting the architectural reviews (including meetings of the Architectural Approval Committee) and other duties of the Architectural Approval Committee, provided that such procedures do not conflict with the specific requirements of this Declaration. Such procedures may be different for each Architectural Approval Committee, but both Architectural Approval Committees shall be subject to the specific procedural provisions contained in this Declaration. Such procedures may include reasonable fees for processing requests for approval and the right of the Architectural Approval Committee, in its sole discretion, to procure the services of an architect or other consultant to assist the Architectural Approval Committee in its review of any Plans, the costs of which shall be the responsibility of the applicant Owner, and shall be in addition to any fees due for processing the request for approval. Processing fees shall be payable to the Association at the time the Plans are submitted to the Architectural Approval Committee, and the charges of the architect or other consultant shall be due and

payable immediately to the Association upon its receipt of an invoice therefor. Before incurring any architect or other consultant charges, the Architectural Approval Committee shall inform the applicant Owner and afford such Owner a reasonable opportunity either to agree to pay such charges or to withdraw the request for approval. The payment of such fees and costs, as well as other expenses of the Architectural Approval Committee required to be paid, shall be deemed to be an individual assessment, enforceable against the applicant Owner in the same manner provided herein for enforcement of annual assessments.

(c) The Architectural Approval Committee, at any time and from time to time, subject to approval by the Declarant or the Board (whichever is applicable), may establish architectural guidelines for one or more types of Improvements to be constructed, altered, added or placed on any portion of the Property, which guidelines shall be fair and reasonable, and shall carry forward the spirit and intention of this Declaration. With respect to Improvements other than initial construction, the architectural guidelines may, but shall not be required to, allow Owners to construct, alter, add or place Improvements on the Property without submitting the Plans therefor to the Architectural Approval Committee and going through the formal approval process provided for herein. Although the Architectural Approval Committee shall not have unbridled discretion with respect to taste, design and the standards specified herein or in such guidelines, the Architectural Approval Committee shall have broad discretion in considering and approving technological advances or general changes in architectural designs and materials in future years and shall use its best efforts to balance the equities between matters of taste and design and the use of private property. Subject to the specific terms of this Declaration, different architectural guidelines may be promulgated and applied to different elements, within the Property. Such guidelines shall supplement, but not supersede, the provisions of this Declaration and may be more (but not less) restrictive than the specific provisions of this Declaration. Provided, however, if there is a conflict between any such guideline and the specific provisions of this Declaration, any Supplemental Declaration or any Subdivision Declaration applicable to any phase, section or subdivision in the Property, the provisions of this Declaration, such Supplemental Declaration or Subdivision Declaration shall control.

(d) Approval by any Architectural Approval Committee of any Plans shall not relieve the applicant Owner from any obligation to obtain all required City approvals and permits, and shall not relieve the applicant Owner of the obligation and responsibility to comply with all applicable Legal Requirements with respect to such Improvements.

(e) Approval of any particular Plans does not waive the right of the Architectural Approval Committee or Board to disapprove the same or substantially similar Plans subsequently submitted, nor does such approval relieve an Owner of the requirement to resubmit such Plans for approval in connection with a portion of the Property other than the portion for which the Plans specifically were approved.

(f) Once an approval is given by the Architectural Approval Committee, or approval is deemed to have been given by the Architectural Approval Committee as provided in this Declaration, such approval shall not be revoked or withdrawn without the written consent of the Owner of the portion of the Property to which the approval applies.

Section 4. Appeal. With the exception of decisions rendered by an Architectural Approval Committee consisting solely of members appointed by the Declarant, an applicant Owner who disagrees with the decision of the Architectural Approval Committee may appeal the decision to the Board by giving written notice of appeal within fifteen (15) days following receipt of notice of disapproval. The Board then shall review the Plans and any additional information requested by the Board, and shall give the applicant Owner and the Architectural Approval Committee a reasonable opportunity, at one or more meetings of the Board, to present

evidence and arguments as to why the decision should be affirmed or overruled. Following the last such meeting the Board, by majority vote, either shall affirm or overrule, in whole or in part, the decision of the Architectural Approval Committee, and shall notify the Architectural Approval Committee and the applicant Owner of its decision within thirty (30) days following its decision.

Section 5. Completion of Construction. Initial construction of Detached Dwelling Units shall be completed not later than twelve (12) months immediately after construction is commenced, or by such later date as specified in the approval from the Architectural Approval Committee. Initial construction of Attached Dwelling Units shall be completed not later than eighteen (18) months immediately after construction is commenced, or by such later date as specified in the approval from the Architectural Approval Committee. Initial construction of Apartment Units and all other buildings not previously specified shall be completed not later than thirty (30) months immediately after construction is commenced, or by such later date as specified in the approval from the Architectural Approval Committee. For the purposes of this paragraph, construction is "commenced" when a building permit for the construction has been issued by the City, and construction is "completed" when the City has issued a certificate of occupancy for the Dwelling Unit or building. The Architectural Approval Committee, in its sole discretion, may grant waivers or extensions of the foregoing time periods for completion of construction, and, when requested and upon reasonable evidence of the existence thereof, shall grant reasonable waivers or extensions for events of Force Majeure that delay or prevent a Person from completing construction within the foregoing time periods. For such purposes, events of "Force Majeure" are any one or more of the following: acts of God, earthquakes, blizzards, tornadoes, hurricanes, fire, flood, malicious mischief, insurrection, riots, strikes, lockouts, boycotts, picketing, labor disturbances, public enemy, war (declared or undeclared), landslides, explosions, epidemics, compliance with any order, ruling, injunction or decree by any court, tribunal or judicial authority of competent jurisdiction, inability to obtain materials or supplies after the exercise of all reasonable efforts, substantial interference in construction activities resulting from construction activities conducted simultaneously on adjacent lands by or under the direction of unrelated parties, and any other similar circumstances beyond the reasonable control of the Person responsible for such performance.

Section 6. Variances. Notwithstanding anything to the contrary appearing herein, and subject to the provisions of this Section and any applicable Supplemental Declaration or Subdivision Declaration, during the Development Period the Declarant (and thereafter, the Board) and the Architectural Approval Committee, when such authority has been conferred upon the Architectural Approval Committee by the Declarant or the Board (whichever is applicable), may in its sole discretion grant one or more variances to any applicable building setback distances established by any applicable Supplemental Declaration or Subdivision Declaration. All such variances shall be evidenced by a written certification, in form suitable for recording in the Registry. When such variances are granted by the Architectural Approval Committee, the certification may be executed either by a majority of the members of the Architectural Approval Committee, or by any two officers of the Association. When a variance is granted, the Owner of the affected portion of the Property shall remain responsible for complying with all applicable Legal Requirements, including building setback distances.

Section 7. Compensation. No member of the Architectural Approval Committee shall be compensated for service on the Architectural Approval Committee. However, the Association may reimburse members of the Architectural Approval Committee for reasonable out-of-pocket expenses incurred in performing such services.

Section 8. Limitation of Liability. Neither the Architectural Approval Committee nor the members thereof, nor the Declarant, nor the Association, nor any members, managers, officers, directors, employees or

agents of the Declarant or the Association, shall be liable in damages or otherwise to any Owner by reason of: (i) mistake of judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval of Plans, or the failure to approve or disapprove, any Plans, except where the foregoing results from gross negligence or willful misconduct; or (ii) for any failure of approved Plans, or construction of any Improvements in accordance with approved Plans, to comply with any applicable Legal Requirements, including zoning and building codes.

ARTICLE XI EASEMENTS

Section 1. Easements Reserved by the Declarant. The Declarant, for itself, and its successors and assigns (which may include the Association, the City, the owner of any Recreation Facility, and public utility providers), reserves the following easements (these easements specifically include the right of access to and from the easement area, the right to Maintain equipment, structures, facilities and impoundments therein, and the right to remove any obstruction within the easement area that, in the Declarant's sole discretion, constitutes interference with the reasonable use of the easement or with the Maintenance of any equipment or structures or facilities or impoundments located therein), which may be exercised by the Declarant in its sole discretion, without any obligation to exercise any of same:

(a) Perpetual, non-exclusive and alienable easements for Maintenance of utilities (including electric, natural gas, telephone and cable television, and related appurtenances and equipment, including wires, poles, pipes, transformer boxes and conduits), storm water drainage equipment and facilities, and soil and water impoundments over, under and across all of the following: (i) portions of the Property shown as utility easements, drainage easements, sign easements or landscape easements on plats recorded in the Registry; (ii) the Common Property; (iii) all Exempt Property and Development Parcels, in a ten (10) foot wide area parallel and adjacent to the boundary lines thereof, unless waived or released by the Declarant (during the Development Period, and thereafter, by the Board) and all the providers of utility services who then are utilizing the easement; and (iv) Lots on which Detached Dwelling Units are constructed, in a ten (10) foot wide area parallel and adjacent to the boundary lines thereof, unless waived or released by the Declarant (during the Development Period, and thereafter, by the Board) and all the providers of utility services who then are utilizing the easement. Provided, however, neither the foregoing reservation of easement rights nor any similar reservation of easement rights contained in this Declaration shall create or impose any obligation upon the Declarant, or its successors and assigns, to provide or Maintain any such utility, equipment, facility, structure or impoundment of the provider of any utility services;

(b) Perpetual, non-exclusive and alienable easements and rights of ingress, egress and regress over and across all private streets within the Property for access to and from other portions of the Property;

(c) Perpetual, non-exclusive and alienable easements on all portions of the Property whose boundaries are Contiguous to a Landscape Easement, Sign Easement or Landscaped Right-of-Way for (i) the reasonable overspray of water from any irrigation system serving that Landscape Easement or Sign Easement or any watering of the grass, flowers, trees, shrubs and other plant materials therein and (ii) the reasonable incursion of Maintenance equipment and personnel who are Maintaining the Landscape Easement, Sign Easement or Landscaped Right-of-Way; and

(d) The right to subject the Property to a contract with Duke Power (or other, appropriate utility provider) for the installation of above ground or underground electric cables and lines and/or the installation

of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Progress Energy (or appropriate utility provider) by each Owner.

The Declarant or other Person who exercises any of the foregoing easements shall Maintain the easement area in a reasonably well-maintained condition, and shall restore any portion of the Property located outside of the easement area that is damaged by the exercise of the easement to substantially the same condition it was in prior to sustaining such damage.

Section 2. Easements Reserved for the Association. Easements are reserved for the Association as follows (these easements specifically include the right of access to and from the easement area, the right to Maintain equipment, structures, facilities and impoundments therein, and the right to remove any obstruction within the easement area that, in the Association's sole discretion, constitutes interference with the reasonable use of the easement or with the Maintenance of any equipment or structures or facilities or impoundments located therein), which may be exercised by the Association in its sole discretion, without any obligation to exercise any of same:

(a) A perpetual, non-exclusive and alienable easement over and upon all portions of the Property to enable the Association to perform its functions and provide the services under this Declaration; provided, however that any such entry by the Association upon any portion of the Property shall be made with as minimum inconvenience to and interference with the Owner thereof as reasonably practicable; and further provided, this easement does not include a right to enter any Dwelling or other building without the consent of an Owner of the portion of the Property on which such Dwelling or other building is located;

(b) Perpetual, non-exclusive and alienable easements on all portions of the Property whose boundaries are Contiguous to a Landscape Easement, Sign Easement or Landscaped Right-of-Way for (i) the reasonable overspray of water from any irrigation system serving that Landscape Easement or Sign Easement or any watering of the grass, flowers, trees, shrubs and other plant materials therein and (ii) the reasonable incursion of Maintenance equipment and personnel who are Maintaining the Landscape Easement, Sign Easement or Landscaped Right-of-Way; and

(c) In addition to the foregoing, and in order to implement effective and adequate storm water management and soil erosion control, a perpetual, non-exclusive easement to enter upon any portion of the Property to Maintain or cause to be Maintained effective and adequate storm water management and/or soil erosion control; provided, however, no exercise of this easement shall unreasonably interfere with any Dwelling or other building constructed on any portion of the Property in compliance with the requirements of this Declaration and any applicable Supplemental Declaration or Subdivision Declaration. If the need for measures to implement storm water management or soil erosion control (referred to in this paragraph as "corrective measures") arises out of or results from construction, excavation, grading, clearing or other acts or omissions on any portion of the Property (referred to in this paragraph as the "activities"), excluding natural disasters and other matters beyond the reasonable control of the Owner of such portion of the Property, the cost of any corrective measures performed by the Association shall be assessed against the Owner of the portion of the Property on which the activities have been performed or have occurred, and such costs shall be a lien on such portion of the Property and shall be enforceable in the same manner as annual assessments. Provided, however, if the Association determines that corrective measures are necessary on any portion of the Property, prior to exercising this easement, except in an emergency, the Association shall give written notice of the proposed corrective measures to an Owner of the portion of the Property, if any, on which the activities have been performed or have occurred, and such Owner shall have a reasonable opportunity to take the corrective measures specified in such notice. If the Owner fails to complete the corrective measures by the

date specified in the notice, the Association may then exercise this easement and charge the costs of the corrective measures to the Owner of such portion of the Property as provided herein. In addition to the foregoing notice, except in an emergency, the Association also shall give written notice of the proposed corrective measures to an Owner of each additional portion of the Property on which such corrective measures are proposed to be taken.

Subject to the foregoing, in exercising any of the foregoing easements the Association shall Maintain the easement in a reasonably well-maintained condition, and shall restore any portion of the Property damaged by the exercise of the easement to substantially the same condition it was in prior to sustaining such damage.

Section 3. Easement Reserved for the City and Public Utilities. Perpetual, non-exclusive and alienable easements are hereby reserved and established over all portions of the Property for the City and for all public utility providers serving the Property, and their agents, employees and contractors, for the purpose of setting, removing and reading utility meters, Maintaining utility equipment and connections, and acting for other purposes consistent with the public safety and welfare, including garbage removal, mail delivery, police protection and fire protection. Except in an emergency, these easements shall be exercised in a reasonable manner and at reasonable times.

Section 4. Easements Shown On Recorded Plats. The Declarant, for itself, its successors and assigns (which may include the Association, the City and public utility providers), and in addition to all other easements reserved in this Declaration, hereby reserves perpetual, non-exclusive and alienable easements in the locations and for the purposes shown and indicated on all plats of the Property recorded in the Registry. These easements specifically include the right of ingress, egress and regress over and upon such easement areas, and the right to Maintain in the easement areas identified on such plats all Improvements deemed necessary, in the reasonable discretion of the Person who exercises the easement rights, for the full exercise of such easements. The Persons who have the foregoing easement rights shall have no obligation to exercise any part or all of same.

Section 5. Easements for Owners.

(a) The Owner of each portion of the Property on which a Dwelling or other building is constructed or is approved for construction closer than five (5) feet to the boundary line of that portion of the Property (such portion of the Property hereinafter referred to in this subsection as the "Dominant Property") shall have a perpetual, non-exclusive easement over and upon each portion of the Property that adjoins each boundary line of the Dominant Property (each adjoining portion of the Property hereinafter referred to in this Section as "Adjoining Property"), within a ten (10) foot wide section of the Adjoining Property adjacent and parallel to the common boundary between the Adjoining Property and the Dominant Property, to be reasonably exercised from time to time for the following purposes:

(1) initial construction of the Dwelling or other building and associated utilities on the Dominant Property (including, without limitation, water lines, sewer lines, electric lines, telephone lines and cable television lines);

(2) additions to the Dwelling or other building and utilities on the Dominant Property; and

(3) Maintenance, repair or restoration of the Dwelling or other building and utilities on the Dominant Property.

Provided, however, if a Dwelling is being constructed or exists on the Adjoining Property at any time the Owner of the Dominant Property desires to exercise the easement, the width of the easement shall be limited to the distance from such common boundary line to the nearest wall of the Dwelling existing or being constructed on the Adjoining Property. Further provided: (i) except in an emergency, the easement shall be exercised at reasonable times and upon reasonable notice to the Owner of the Adjoining Property, and at such times and in such manner as will result in the least amount of interference and damage to the Adjoining Property; (ii) as soon as reasonably practicable following each exercise of the easement, the Owner who exercises the easement shall restore the portion of the Adjoining Property on which the easement exists and all Improvements thereon to substantially the same condition they were in immediately preceding the exercise of the easement; and (iii) in connection with each exercise of the easement, the Owner who exercised the easement shall indemnify and hold harmless the Owner of the Adjoining Property from and against any and all claims and causes of action for damages to person or property, including all costs of defending against such claims and causes of action (including reasonable attorney fees) arising out of or resulting from each exercise of the easement.

(b) Perpetual, non-exclusive easements also are reserved or established as follows for portions of the Property (hereinafter referred to in this subsection as the "Dominant Property") over, upon and on adjoining portions of the Property (hereinafter referred to in this subsection as the "Adjoining Property"), within a ten (10) foot wide section of the Adjoining Property adjacent and parallel to the common boundary line between the Adjoining Property and the Dominant Property, as follows:

(1) for encroachment by a Dwelling or other building, or portion thereof, which has been constructed on the Dominant Property, to the extent that portions of the Dwelling actually encroach and the encroachment has not resulted from the willful or grossly negligent act or omission of the Person who constructed the Dwelling or other building. Examples of such encroachments include overhanging eaves, chimneys, gutters, down spouts, exterior storage rooms, bay windows, steps and walls; and

(2) for the encroachment resulting from the settling or shifting of any such Dwelling or other building resulting from any construction, reconstruction, repair or alteration of same that has been approved by the Architectural Approval Committee as required by this Declaration.

The easements and encroachments established by this subsection shall be appurtenant to the Dominant Property and shall continue for as long as the encroachments naturally exist.

Section 6. Restriction on Easements. Notwithstanding anything to the contrary contained in this Declaration, no easement granted, reserved or established in this Declaration or allowed to be established by this Declaration shall be construed to give the Declarant, the Association, the City or any other Person the right to enter any Dwelling or other building located on any portion of the Property except in strict compliance with applicable Legal Requirements.

ARTICLE XII OWNER AND SUB-ASSOCIATION MAINTENANCE RESPONSIBILITIES

Section 1. Duty to Maintain. Subject to any other applicable terms of this Declaration, the Owner of each portion of the Property (except Owners who are also Builders selected by Declarant) and each Sub-

Association with respect to such Sub-Association's Common Property or other portions of the Property to be Maintained by such Sub-Association, at such Owner's or Sub-Association's sole cost and expense, shall Maintain such portion of the Property or Sub-Association Common Property, as the case may be, including all Improvements thereon, in a safe, clean and attractive condition at all times, including all of the following thereon:

- (a) Prompt removal of all litter, trash, refuse and wastes;
- (b) Lawn Maintenance on a regular basis, including, subject to any applicable Legal Requirements, portions of a publicly dedicated street right of way or private street right of way adjacent to any boundary of such portion of the Property, but excluding Landscape Easements, Sign Easements and Landscaped Rights-of-Way Maintained by the Association;
- (c) Tree and shrub pruning and removal of dead or diseased trees, shrubs and other plant material;
- (d) Maintenance of flower and plant gardens;
- (e) Maintenance of exterior lighting and mechanical facilities;
- (f) Maintenance of parking areas and driveways;
- (g) Complying with all applicable Legal Requirements;
- (h) Maintenance of all Improvements thereon;
- (i) Maintaining adequate soil erosion controls;
- (j) Maintenance of storm water drainage easements and portions of the Property served by storm water drainage easements, as required by this Declaration; and
- (k) To the extent not adequately Maintained by the City, the Association or a public utility provider, Maintenance of the sidewalk, driveway, driveway apron and utility laterals serving each Owner's (or Sub-Association's) portion of the Property, even if located in the Common Property. Each Owner (or Sub-Association) also shall provide snow and ice removal for any sidewalks located adjacent to such Owner's (or Sub-Association's) portion of the Property.

Each Owner (or Sub-Association) shall perform the foregoing responsibilities in a manner that does not unreasonably disturb or interfere with the reasonable enjoyment by the other Owners (or Sub-Associations) of their portions of the Property.

Section 2. Enforcement. If any Owner fails to perform any of the foregoing Maintenance Responsibilities, then the Association may give such Owner written notice of the failure and such Owner must, within ten (10) days after such notice is given by the Association, perform the required Maintenance. If any such Owner fails to perform the required Maintenance within the allotted time period, then the Association, acting through its authorized agent or agents, shall have the right and power, but not the obligation, to enter such Owner's portion of the Property and perform such Maintenance without any liability to any Person for damages for wrongful entry or trespass. Such Owner shall be liable to the Association for

the expenses incurred by the Association in performing the required Maintenance, and shall reimburse the Association for such expenses within thirty (30) days after the Association mails or delivers to such Owner an invoice therefor. If the Owner fails to reimburse the Association as required, the Association shall have the same rights and remedies against such Owner and such Owner's portion of the Property as the Association has with respect to the enforcement and collection of annual assessments.

Section 3. Unimproved Portions of the Property. Notwithstanding the foregoing provisions of this Article, but subject to the other applicable provisions of this Declaration, Owners shall be required to Maintain unimproved portions of the Property only in accordance with such Maintenance standards, if any, as are established by the Declarant, during the Development Period, and thereafter, in accordance with such reasonable Maintenance standards as are established by the Board.

ARTICLE XIII RECREATION FACILITY

The Declarant anticipates that one or more Recreation Facilities may be constructed, operated and Maintained in or Contiguous to portions of the Property. With respect to any and all such Recreation Facilities, the following shall apply to the Property.

Section 1. Use of Recreation Facility. Except as may be provided in any contractual agreement among the Declarant, a Builder, an Owner and/or the owner of a Recreation Facility, no Owner of any part or all of the Property shall have any right, solely by virtue of such ownership or payment of assessments under this Declaration, of access to or across, entry onto, membership in, or other use or enjoyment of a Recreation Facility that is not part of the Common Property.

Section 2. Use Not a Nuisance. Use of any part of a Recreation Facility by any Person in accordance with the reasonable rules and regulations established by the owner of the Recreation Facility, shall not constitute a nuisance.

Section 3. Management. With respect to any Recreation Facility owned or leased by the Association, the Association shall have the right and authority, at any time and from time to time, to establish the rules and regulations for the use of the Recreation Facility, and to employ a management company or other Person to manage and operate the Recreation Facility for the Association.

Section 4. Risks Associated With Use. The Declarant hereby informs all Owners, and their family members, and guests, that there exist certain hazards or risks associated with use of a Recreation Facility, particularly with use of a swimming pool, whether or not a lifeguard is on duty during times when the swimming pool is open for use. With respect to any Recreation Facility owned or leased by the Association that includes a swimming pool, the Association may, but shall not be required to, employ or provide for the services of one or more lifeguards during certain times that the swimming pool is open for use, it being within the sole discretion of the Board whether or not to employ or provide for the services of lifeguards. Each Owner, by acceptance of a deed to such Owner's portion of the Property, (i) specifically acknowledges the existence and acceptance of the foregoing risks, easements and interference with the use and enjoyment of such Owner's portion of the Property and the Common Property by that Owner and that Owner's family members, agents, contractors, guests, lessees and contract purchasers, which risks and interference arise out of and are associated with the usual and normal operation, use and Maintenance of a Recreation Facility, and (ii) agrees to comply with the rules and regulations established by the Association for use of a Recreation Facility owned or leased by the Association.

Section 5. Limitation of Liability. Neither the Declarant, a Builder nor any of their members, managers, employees, agents, contractors, affiliates, subsidiaries, predecessors or successors shall be responsible or liable in any way to any Owner or to any other Person for any claims, causes of action, damages, judgments, liens, losses, injuries, demands, interference, liabilities, or obligations whatsoever, that may result from property damage or personal injury in connection with such Owner or other Person's use of any Recreation Facility, unless the same arises out of or results from the gross negligence or intentional act or omission of such named Person, or unless the same arises out of or results from the act or omission of any such named Person while actually using the Recreation Facility. With the exception of any Recreation Facility owned or leased by the Association, neither the Association, nor any of its directors, officers, employees, agents or contractors shall be responsible or liable in any way to any Owner or to any other Person for any claims, causes of action, damages, judgments, liens, losses, injuries, demands, interference, liabilities, or obligations whatsoever, that may result from property damage or personal injury in connection with such Owner or other Person's use of any Recreation Facility, unless the same arises out of or results from the gross negligence or intentional act or omission of such named Person, or unless the same arises out of or results from the act or omission of any such named Person while actually using the Recreation Facility.

ARTICLE XIV RIGHTS OF MORTGAGEES

Section 1. Notice to Board. Upon request from the Board, any Owner who mortgages such Owner's Lot or Development Parcel shall notify the Association of the name and address of the Mortgagee. No Mortgagee shall be entitled to any Mortgagee rights under this Declaration unless such Mortgagee has notified the Association as required in this Article and has requested Mortgagee rights under this Declaration.

Section 2. Requirements of Mortgagee. Whenever any Mortgagee desires to avail itself of the rights afforded Mortgagees under this Declaration and receive notices from the Association, it shall furnish written notice thereof to the Association by CERTIFIED OR REGISTERED MAIL, identifying the portion of the Property upon which such Mortgagee holds a first lien mortgage or deed of trust, specifying which rights it wishes to exercise and notices or other information it wishes to receive, and designating the name of the person and mailing address to which notices, reports or information are to be sent by the Association. The Mortgagee shall be responsible for updating the information required by this Section.

Section 3. Obligation of Association to Mortgagees. Any Mortgagee who has notified the Association as required in the immediately preceding Section of this Article, shall have each of the following rights that are specifically requested in the notice to the Association:

(a) To inspect Association documents and records on the same terms as the Members of the Association;

(b) To be notified of any meeting of the membership to be held for a vote on any material amendment to the Governing Documents, including the following: material amendment to this Declaration; material amendment to the Articles or Bylaws; any proposed termination of this Declaration or dissolution of the Association; any proposed merger of the Association with another association.

(c) To be notified of any extraordinary actions to be taken by the Association, or any emergency extraordinary actions taken by the Association.

(d) To be notified of any condemnation or casualty loss affecting the Common Property or any portion thereof;

(e) To be notified of any event giving rise to a claim under the Association's physical damage insurance policy insuring the Common Property, where the damage to the Improvements on the Common Property exceeds an amount equal to ten percent (10%) of the Association's annual budget for Common Expenses, or where the damage is to any portion of the Property insured by the Association upon which the Mortgagee holds a mortgage;

(f) To be notified of any lapse, cancellation or material modification of any insurance policy maintained by the Association; and

(g) To be notified of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days), and to be notified of any other default of the provisions of this Declaration, by the Owner of a Lot or Development Parcel upon which the Mortgagee has a mortgage. Provided, however, any failure of the Association to notify the Mortgagee of the delinquency or default shall not affect the validity of any Association lien, or any other Association rights and remedies, against the defaulting Owner or such Owner's portion of the Property.

ARTICLE XV AMENDMENT; EXTRAORDINARY ACTIONS

Section 1. Amendment by the Declarant. During the Development Period the Declarant may unilaterally, without the approval or joinder of the Association, or any Member of the Association, Mortgagee or Secondary Mortgage Market Agency, amend any provision of this Declaration or any Supplemental Declaration or Subdivision Declaration from time to time. Any such amendment shall be effective upon the later of the date of its recordation in the Registry or the effective date specified therein.

Section 2. Amendment by the Association.

(a) Unless a higher percentage or different voting requirement is specified herein, this Declaration may be amended by the affirmative vote of sixty-seven percent (67%) or more of the votes cast by the Members present at a Duly Called Meeting of the Association, and during the Development Period, approval by the Declarant.

(b) Written notice of an annual or special meeting of the Association at which any proposed amendment to this Declaration is to be voted on, together with at least a summary description of the proposed amendment, shall be given to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the date of such meeting. The notice of the meeting shall contain a copy of the proxy that can be cast in lieu of attendance at the meeting.

(c) If any amendment to this Declaration is approved by Members of the Association (including material amendments and extraordinary actions of the Association as described herein), the President and Secretary of the Association shall execute a document setting forth the amendment, the effective date of the amendment (if no effective date is stated the amendment shall be effective upon the recording of same in the Registry), the date of the meeting of the Association at which such amendment was adopted, the date that

notice of such meeting was given, the total number of votes required to constitute a quorum at such meeting, the total number of votes present at such meeting, the total number of votes necessary to adopt the amendment, the total number of votes cast in favor of such amendment and the total number of votes cast against the amendment. The document shall be recorded in the Registry within thirty (30) days following the date of the meeting at which the amendment was adopted. Provided, however, and notwithstanding the foregoing or anything to the contrary appearing herein, no amendment to this Declaration duly adopted by the Members of the Association shall be void or invalid solely because the document describing the amendment is not recorded in the Registry within said thirty (30) day period, and any such duly adopted amendment to this Declaration recorded following the end of said thirty (30) day period shall become effective on the later of the effective date specified therein, if any, or on the date it is recorded in the Registry.

(d) Amendment of Supplemental Declarations and Subdivision Declarations shall be governed by the provisions for amendment contained therein, if any; otherwise, the provisions regarding amendment of this Declaration shall apply.

Section 3. Prohibited Effects of Amendment. No amendment to this Declaration shall do or result in any of the following:

(a) during the Development Period, diminish or impair the rights of the Declarant under this Declaration, without the prior written consent of the Declarant;

(b) impose additional obligations upon the Declarant, without the prior written consent of the Declarant;

(c) diminish or impair the express rights of the Mortgagees under the Declaration, without the prior written approval of a majority of the Mortgagees. Except as specifically provided in the Declaration, no provision of the Declaration shall be construed to grant to any Owner or to any other Person any priority over any rights of Mortgagees;

(d) terminate or revise any easement established by this Declaration, without the written consent of the Person benefited by the easement or by the Person who owns the portion of the Property benefited by the easement; or

(e) alter or remove any applicable Legal Requirement.

Section 4. HUD/VA Approval. As long as there is a Class B membership, the following actions shall require the prior approval of the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs, if either such agency is insuring or guaranteeing the Mortgage on any Unit: merger or consolidations or dissolution of the Association; annexation of additional property other than that permitted in Article II herein; dedication, conveyance or mortgaging of Common Area; or material amendment of this Declaration or the By Laws. The granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a conveyance within the meaning of this Section.

ARTICLE XVI DURATION OF DECLARATION; DISSOLUTION OF ASSOCIATION

Section 1. Duration. This Declaration shall run with and bind the Property and shall inure to the benefit of the Declarant, the Association, each Owner, and their respective heirs, successors, and assigns, for a term beginning on the date this Declaration is recorded continuing fifty years thereafter and then shall automatically shall be extended in perpetuity for successive periods of ten (10) years each, unless, at a duly called annual or special meeting of the Association, held prior to the expiration of the applicable time period, termination of this Declaration is approved in the manner required in this Declaration for approval of an extraordinary action of the Association.

Notwithstanding anything to the contrary appearing herein, during the Development Period this Declaration shall not be terminated without the written consent of the Declarant.

Notwithstanding anything to the contrary appearing herein, a termination of this Declaration shall not:

(a) impose additional obligations upon the Declarant, without the prior written consent of the Declarant; or

(b) terminate or revise any easement established by this Declaration, without the written consent of the Person benefited by the easement or by the Person who owns the portion of the Property benefited by the easement.

Section 2. Dissolution of the Association. Upon dissolution of the Association or upon loss of ownership of all of the Common Property by the Association for any reason whatsoever (except for exchange or dedication or conveyance of any part or all of the Common Property as allowed by this Declaration, or by reason of merger and/or consolidation with any other association as allowed by this Declaration), any portion of the Common Property not under the jurisdiction of and being Maintained by another association substantially similar to the Association, together with all other assets of the Association, shall, if required by applicable Legal Requirements, first be offered to the City of Durham, or to some other appropriate governmental entity or public agency (as determined by the Board) to be dedicated for public use for purposes similar to those to which the Common Property and such assets were required to be devoted by the Association. If the City of Durham or such other appropriate governmental entity or public agency accepts the offer of dedication, such portion of the Common Property and assets shall be conveyed by the Association to the City of Durham or such other appropriate governmental entity or public agency, subject to the superior right of an Owner of a portion of the Property to an easement (if necessary) for reasonable ingress and egress to and from such Owner's portion of the Property and the public or private street(s) on which such portion of the Property is located, subject to all other applicable rights of way and easements, and subject to ad valorem property taxes subsequent to the date of such conveyance.

If the City of Durham or such other appropriate governmental entity or public agency refuses the offer of dedication and conveyance, or if such offer of dedication is not required by applicable Legal Requirements, the Association may transfer and convey such Common Property and assets to any nonprofit corporation, association, trust or other entity which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the Common Property was required to be devoted by this Declaration, such transfer and conveyance to be made subject to the rights of Owners and the other matters set forth in the immediately preceding paragraph. If there is no nonprofit corporation, association, trust or other entity who will accept such transfer and conveyance of the Common Property and assets of the Association, then there shall be no dissolution of the Association.

ARTICLE XVII MISCELLANEOUS PROVISIONS

Section 1. Enforcement. The Association, each Owner (including the Declarant), and, when enforcement rights are granted by this Declaration, a Mortgagee, the VA or FHA, shall have the right, but not the obligation, to enforce this Declaration by any proceeding at law or in equity (or otherwise, as provided in this Declaration) against any Person violating or attempting to violate any part of this Declaration, either to restrain the violation, recover damages, or seek other available legal or equitable remedies, and the Association shall have the right, but not the obligation, to enforce any lien created by this Declaration. Any failure by the Association, an Owner (including the Declarant), or any other Person to enforce this Declaration or seek any applicable remedy with respect to any specific violation or lien shall not constitute a waiver of the right to do so thereafter, nor shall it constitute a waiver of the right to enforce this Declaration at any other time with respect to the same or substantially similar matter. All rights, remedies and privileges granted to the Association, any Owner (including the Declarant) or any other Person herein are cumulative, and the exercise of any one or more of such rights, remedies or privileges shall not constitute an election of remedies or preclude subsequent exercise of other rights, remedies and privileges.

Section 2. Severability of Provisions. If any paragraph, section, sentence, clause or phrase of this Declaration shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null or void, the remaining paragraphs, sections, sentences, clauses and phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. To the extent that any provision of the Governing Documents is determined to be overly broad or unenforceable and a narrower or partially enforceable construction may be given to such provision without destroying its intent, then the narrower or partially enforceable provision shall be applied and, to the extent lawful, shall be enforced. It is hereby declared that said remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases shall become or be illegal, null or void.

Section 3. Notice. Except as otherwise provided herein, whenever written notice to an Owner is required hereunder, such notice may be hand delivered personally to such Owner, or such notice may be given by first class United States mail, postage prepaid, or in such other manner specifically allowed or required by applicable Legal Requirements, or in such other manner determined by the Board to be proper and which does not violate any applicable Legal Requirements, addressed to the address of such Owner appearing on the records of the Association, or addressed to the address of such Owner as shown on the records in the office of the Durham County, North Carolina Tax Collector. Properly addressed notice shall be deemed to have been given by the Association as follows: (i) on the second day following the date the notice was deposited in the United States mail, first class postage prepaid (or, in the event that notice of a meeting of the Association is contained in a newsletter mailed to every Owner of the Association (or, with respect to portions of the Properties owned by multiple Owners, to at least one Owner), postage is prepaid); or (ii) on the delivery date indicated on a return certified or registered mail receipt; or (iii) on the date indicated by the records of a national or regional courier service. Whether or not properly addressed, notice shall be deemed to have been given to an Owner on the date of personal delivery to the Owner or to an adult Person residing with the Owner, as evidenced by a receipt signed by the Owner or such adult Person. Notice given in the foregoing manner to any one (1) of multiple Owners of a portion of the Property shall be deemed notice to all of such Owners. Notice to the Association may be given and shall be deemed to have been given when given in a manner permitted for notice to an Owner, when the notice is addressed to the principal business office of the Association or to the principal business address of the property manager employed by the Association;

provided, however, that personal delivery of notice to the Association, whether or not properly addressed, is not valid unless made to an officer of the Association. It shall be the duty of each Owner to keep the Association informed of such Owner's current mailing address and telephone number.

Section 4. Titles. The titles, headings and captions which have been used throughout this Declaration are for convenience only and are not to be used in construing this Declaration or any part thereof, except as necessary with respect to any cross-referencing of any provisions of this Declaration.

Section 5. Number and Gender. Whenever the context of this Declaration requires, the singular shall include the plural and one gender shall include all.

Section 6. No Exemption. No Owner may become exempt from any obligations imposed hereby by non-use or abandonment of the Common Property or any portion of the Property owned by such Owner.

Section 7. Subdivision, Combination of Lots; Plat Re-recording. During the Development Period, a Lot may be subdivided into two (2) or more Lots only with the written consent of the Declarant (and, thereafter, the Board, or as allowed by the Board, the Architectural Approval Committee), and with any prior approval required of the Mortgagees and the City. Provided, however, this Section is not intended to require such written consent of the Declarant or the Board to leases, deeds of correction, deeds to resolve boundary line disputes or similar corrective instruments, re-recording of plats and/or recording of conveyances by Lot Owners to alter boundary lines between such Lots where no additional Lots are created thereby, or deeds or other instruments granting any easement, right-of-way or license to the Declarant, the Association, the City or a public utility provider. Two or more Lots may be combined into a lesser number of Lots upon any prior approval required by the City, and the resulting reduced number of Lots shall be as shown on the combination plat recorded in the Registry. Nothing contained in this Declaration shall prohibit or restrict the right of the Declarant, during the Development Period, which right hereby is expressly reserved for the Declarant, to subdivide, combine, resubdivide, recombine, or re-record maps relating to, any portion of the Property owned by the Declarant, upon compliance with all applicable Legal Requirements.

During the Development Period the Declarant may, at any time and from time to time, in its sole discretion and without the consent or approval of any other Person (except for such approvals as may be required by the City) re-record any previously recorded plat of the Property (i) in connection with any of the purposes described in the immediately preceding paragraph of this Section, or (ii) to eliminate any inconsistency between such plat and this Declaration, any Supplemental Declaration or any Subdivision Declaration (including, for example, building setback distances); or (iii) to adjust boundaries between any portion of the Property and any portion of a Recreation Facility, provided that the Owner of any affected portion of the Property not then owned by the Declarant consents to such plat re-recording.

Section 8. Conflict Between Declaration and Articles, Bylaws. Whenever there is a conflict between the provisions of this Declaration and the Articles or Bylaws, the provisions of this Declaration shall control, and whenever there is a conflict between the provisions of the Articles and Bylaws, the provisions of the Articles shall control.

Section 9. Assignment. The Declarant specifically reserves the right, in its sole discretion, at any time and from time to time, to temporarily or permanently assign any or all of its rights, privileges and powers under this Declaration or under any Supplemental Declaration or Subdivision Declaration.

Section 10. Costs and Attorneys' Fees. In any proceeding arising out of any alleged default by an Owner or in any proceeding brought by an Owner against the Association or any director or officer of the Association, the prevailing party shall be entitled to recover from the losing party the costs of such proceeding and such party's reasonable attorneys' fees, even if such proceeding is settled prior to any trial, judgment or appeal.

Section 11. Rule Against Perpetuities. If any provision of this Declaration violates any applicable Rule Against Perpetuities, such provisions shall be deemed reformed to continue in effect for the maximum period of time that such provision could exist without violating such applicable Rule Against Perpetuities.

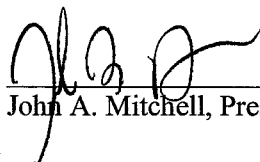
Section 12. Rounding. Whenever any calculation required to be made under this Declaration (for example, in determining the number of Lots or Dwelling Units per acre, or the number of votes) results in a number other than a whole number, the number shall be rounded up or down in accordance with the following rules: (i) if the fractional portion of the number is 0.5 or more, it shall be rounded up to the nearest whole number; and (ii) if the fractional portion of the number is less than 0.5, it shall be rounded down to the nearest whole number, except that where the entire number is less than one (1), it shall be rounded up to one (1).

Section 13. Legal Requirements. This Declaration shall be subject to and construed in accordance with all applicable Legal Requirements. It shall be the responsibility of each Owner of any portion of the Property to comply with all Legal Requirements applicable to such portion of the Property, whether or not any approval, disapproval, waiver or variance of the terms of this Declaration has been given by the Declarant, the Association or the Architectural Approval Committee with respect to such portion of the Property.

[the remainder of this page intentionally blank – signature follows]

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed in its company name by its duly authorized President as of the day and year first above written.

751 SOUTH, INC. (SEAL)
a North Carolina corporation


By:  (SEAL)
John A. Mitchell, President

STATE OF NORTH CAROLINA)
)
COUNTY OF Wake)

I certify that the following persons personally appeared before me this day, each acknowledging to me that he voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: John A. Mitchell as President of 751 South, Inc.

Witness my hand and notarial stamp or seal, this 27 day of March, 2018.

My commission expires:


Notary Public

Typed or Printed Name: William A. Clark

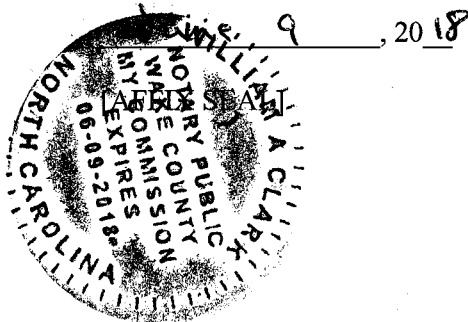


EXHIBIT A

DESCRIPTION OF PROPERTY

BEING all of New Tract 1 containing 73.871 acres as shown on that plat entitled "Recombination Plat for Southern Durham Development, LLC of 751 South Property" by Murphy Geomatics dated November 2015 and recorded in Plat Book 195, page 190 Durham County Registry.

LESS AND EXCEPT that parcel designated as "Tract B" containing .870 acres and located on the northeast side of NC Highway 751 as shown on that plat entitled "Recombination Plat for Southern Durham Development, LLC of 751 South Property" by Murphy Geomatics dated November 2015 and recorded in Plat Book 195, page 190 Durham County Registry.

EXHIBIT B

DECLARANT PROPERTY

BEING all of New Tract 2 containing 53.994 acres and New Tract 3 containing 38.117 acres as shown on that plat entitled "Recombination Plat for Southern Durham Development, LLC of 751 South Property" by Murphy Geomatics dated November 2015 and recorded in Plat Book 195, page 190 Durham County Registry.