

FILED
17 JUN 2003, at 03:56:09pm
Book 3061, Page 398 - 455
Joyce H. Pearson
Register of Deeds,
Orange County, N. C.

BOOK PAGE
3061 398

Prepared by: James B. Watkins
Hold for: Moore & Alphin, PLLC

FOR MULTIPLE PIN SHEET
SEE BOOK 3061 PAGE 397

DECLARATION OF
COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
VINEYARD SQUARE

2003 SEP 15 2003

TABLE OF CONTENTS

<u>Article</u>		<u>Page</u>
I	DEFINITIONS.....	1
II	PLAN OF DEVELOPMENT; ASSOCIATION PROPERTY; RULES AND REGULATIONS:.....	5
III	MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION; BOARD; DURATION OF ASSOCIATION.....	12
IV	COVENANT TO PAY ASSESSMENT FOR OPERATING EXPENSES; ESTABLISHMENT OF LIENS; COLLECTION OF ASSESSMENTS; RIGHTS OF DECLARANT AND MORTGAGEES;NON-MONETARY DEFAULTS; FINES.....	13
V	METHOD OF DETERMINING ASSESSMENTS AND ALLOCATION OF ASSESSMENTS.....	18
VI	OPERATING EXPENSES.....	21
VII	INSURANCE AND CONDEMNATION.....	24
VIII	EASEMENTS.....	26
IX	MAINTENANCE AND REPAIR.....	30
X	ARCHITECTURAL CONTROL.....	33
XI	USE RESTRICTIONS.....	36
XII	AFFORDABLE DWELLING UNITS.....	42
XIII	AMENDMENT AND MODIFICATION.....	44
XIV	GENERAL PROVISIONS.....	45
<u>Exhibit A</u>	Legal Description of the Current Development Property	
<u>Exhibit B</u>	List of Affordable Dwelling Unit Lots	
<u>Exhibit C</u>	Approved Fencing Plans and Materials	
<u>Exhibit D</u>	Stormwater Operations and Maintenance Plan	
<u>Exhibit E</u>	Current Site Plan of the Property	

DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
VINEYARD SQUARE

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR Vineyard Square ("Declaration") is made this 27TH day of May, 2003, by CENTEX HOMES, a Nevada general partnership, its successors and assigns ("Declarant").

WHEREAS, Declarant is the owner in fee simple of the real property more particularly described on Exhibit A (the "Property") attached hereto and made a part hereof, which Property is subject to a plat recorded in the Register of Deeds Office of Orange County, North Carolina, in Book 92, Page 56.

WHEREAS, Declarant is developing a community on the Property to be known as "Vineyard Square" in multiple separate stages as hereinafter set forth; and

WHEREAS, Declarant may develop subsequent additional stages consisting of any additional contiguous property acquired by Declarant which is made subject to this Declaration pursuant to Section B.1 of Article II hereof; and

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities established to create a North Carolina non-profit corporation known as the Vineyard Square Owners Association, Inc., to which there have been and will be delegated and assigned: (i) certain powers and duties of ownership, operation, administration, maintenance and repair of portions of the Property, including, but not limited to, the "Association Property" (as hereinafter defined); (ii) the enforcement of the covenants and restrictions contained herein; and (iii) the collection and disbursement of the "Operating Expenses" (as hereinafter defined); and

WHEREAS, in order to develop and maintain Vineyard Square as a planned residential community and to preserve the values and amenities of such community, it is necessary to declare, commit and subject the Property and the improvements now or hereafter constructed thereon to certain land use covenants, restrictions, reservations, regulations, burdens, liens, and easements; and to delegate and assign to the Association certain powers and duties of ownership, administration, operation, maintenance and enforcement; and

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Declarant hereby declares that the Property shall be owned, held, used, transferred, sold, conveyed, demised and occupied subject to the covenants, restrictions, easements, reservations, regulations, burdens and liens hereinafter set forth, all of which shall run with the Property and any part thereof and which shall be binding upon all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns.

ARTICLE I
DEFINITIONS

"Additional Property" means any real property which is contiguous to the Property and acquired by the Declarant as provided in Section B.1 of Article II, which is permitted to be subjected to the terms of this Declaration in accordance with the provisions of Article II.

"ADU Owner" means the owner of a leasehold interest in a Lot on which an Affordable Dwelling Unit is located pursuant to a ground lease with OCHLT for a period in excess of fifty (50) years.

"Affordable Dwelling Unit" or "ADU" means a Dwelling Unit located on one of the Lots described on Exhibit "B", which shall be subject to the provisions of Article XII of this Declaration.

"Amendment(s)" mean(s) any and all amendments to this Declaration, all of which shall be consecutively numbered beginning with the "First Amendment to the Declaration of Covenants, Restrictions and Easements for Vineyard Square and each of which shall be properly adopted pursuant to the terms of the Association Documents and recorded in the Public Records; provided, however, the failure to so consecutively number such amendments shall not impair their validity hereunder and such amendments to the extent not otherwise numbered will be deemed to have been numbered in chronological order of their appearance in the Public Records.

"Articles" mean the Articles of Incorporation of the Association.

"Assessments" mean the assessments for which all Owners are obligated to the Association and include "Individual Lot Assessments", "Individual Expense Assessments" and "Special Assessments" (as such terms are defined in Article V hereof) and any and all other assessments which are levied by the Association in accordance with the Association Documents.

"Association" means Vineyard Square Owners Association, Inc., a North Carolina corporation not for profit.

"Association Documents" mean in the aggregate this Declaration, the Articles and Bylaws and all of the instruments and documents referred to or incorporated therein, including, but not limited to, amendments to any of the foregoing, as applicable.

"Association Property" means the lands, systems, facilities, rights and easements which may be deeded, leased, granted, reserved, assigned or transferred to the Association, as described in Section D of Article II hereof, or as designated Association Property by the Declarant prior to the Turnover Date, and thereafter by the Association, together with all improvements thereon and equipment, facilities and rights associated therewith. The Association Property includes, but is not limited to, open space, pedestrian walkways, common parking spaces, mail kiosks, a retention pond, trash receptacle areas, and those areas described in Section D of Article II hereof. Association Property shall also include all water and sewer lines serving more than one Lot and located outside public street right-of-way and OWASA utility easements. Association Property shall also include personal property and interests therein transferred to or acquired by the Association if so designated.

"Board" means the Board of Directors of the Association.

"Bylaws" mean the Bylaws of the Association.

"Committee" means the Architectural Control Committee established and empowered as provided in Article X.

“Contributing Lot” means any Lot which (a) has been issued a certificate of occupancy for a Dwelling Unit constructed thereon by the appropriate governmental agency, or (b) is designated a Contributing Lot by the Declarant in the deed of conveyance or any other instrument recorded among the Public Records of the County, upon which an affirmative covenant to pay Assessments, as more particularly set out in Article IV hereof, is imposed.

“Contributing Lot Owner” means the Owner of a Contributing Lot.

“County” means Orange County, North Carolina.

“Declarant” means Centex Homes, a Nevada general partnership, and any successor or assign thereof, which acquires any Lot from Declarant for the purpose of development and to which Centex Homes specifically assigns all or part of the rights of Declarant hereunder by an express written assignment recorded in the Public Records of the County.

“Declaration” means this document and any amendments and supplements hereto.

“Director” means a member of the Board.

“Dwelling Unit” means a residential dwelling unit in Vineyard Square intended as an abode for one family constructed upon a Lot, including the Affordable Dwelling Units

“Final Plat” means a final subdivision plat creating Lots appropriate for the construction of a Dwelling Unit on each Lot consistent with the Site Plan, that is approved by the Town and recorded in the Public Records of the County.

“Improvement” means any building, fence, wall, patio area, driveway, walkway, antenna, satellite dish, sign, mailbox, pool, tennis court, deck, or other structure or improvement, including landscaping, which is constructed, made, installed, attached, placed or developed within or upon, or removed from, any portion of the Property, or any change, alteration, addition or removal of any such structure or improvement other than normal maintenance and repair which does not materially alter or change the exterior appearance, condition and color of same.

“Institutional Mortgagee” means any lending institution holding an interest in a Dwelling Unit or Lot pursuant to a first mortgage covering a Dwelling Unit or Lot. Institutional Mortgagees shall include, but not be limited to (i) the successors and assigns of such lending institutions, (ii) any “secondary mortgage market institution” who typically purchase, insure or guaranty mortgages (such as the Federal National Mortgage Association, the Veterans Administration (“VA”), the Federal Housing Administration (“FHA”), the Department of Housing and Urban Development (“HUD”), and similar entities), (iii) Declarant, if Declarant holds a mortgage on any portion of the Property.

“Interest” means the maximum nonusurious interest rate allowed by law on the subject debt or obligation, and if no such rate is designated by law, then twelve percent (12%) per annum.

“Legal Fees” mean reasonable fees for attorney and paralegal services incurred in connection with: (i) negotiation and preparation for litigation, whether or not an action is actually begun, through and including all trial and appellate levels and post-judgment proceedings; (ii) collection of past due

Assessments including, but not limited to, preparation of notices and liens; and (iii) court costs through and including all trial and appellate levels and post-judgment proceedings.

“Lot” means a portion of the Property as shown on a Final Plat, upon which a Dwelling Unit is permitted to be erected.

“Pond” means any portion of the Property shown on the Site Plan or a Final Plat as a delineated parcel of real property that contains all or any portion of a storm water retention or detention pond, or similar body of water designed and developed as part of the Storm Water Management System.

“Member” means a member of the Association.

“OCHLT” means the Orange County Housing and Land Trust, or alternative organization designated by the Town as the entity to administer the marketing and sale of the Affordable Dwelling Units, its successors and assigns.

“Operating Expenses” mean the expenses for which Owners are liable to the Association as described in this Declaration and any other Association Documents and include, but are not limited to, the costs and expenses incurred by the Association in administering, operating, reconstructing, maintaining, financing, repairing, replacing or improving the Association Property, or any portion thereof and improvements thereon. Operating Expenses shall also include the expenses incurred by the Association for the maintenance, repair, and replacement of those portions of the Lots and Dwelling Units for which the Association is responsible pursuant to this Declaration, if any.

“Open Space Area” means those portions of the Property identified on a Final Plat or the Site Plan as a delineated parcel of land for use as a private open space area or other open or natural area to be owned and maintained by the Association.

“Owner” means the owner of the fee simple title to a Lot or an ADU Owner owning a leasehold interest in a Lot, and includes Declarant for so long as Declarant is the owner of the fee simple title to a Lot but excluding those having such interest merely as security for the performance of any obligation and excluding purchasers under executory contracts of sale of a Lot.

“Person” means a natural individual or any other entity with the legal right to hold title to real property.

“Planned Community Act” means the North Carolina Planned Community Act (Chapter 47F of the North Carolina General Statutes), as may be amended or supplemented from time to time.

“Property” means the real property more particularly described on Exhibit “A” attached hereto and made a part hereof. The term “Property” shall also mean any Additional Property made subject to this Declaration as provided for herein by the recordation of a Supplement.

“Public Records” means the office of the County Register of Deeds.

“Site Plan” means the overall site layout plan of the Project approved by the Town, for the real property comprising the Property, as such Site Plan may be supplemented or amended from time to time to

reflect modifications which are approved by the Town, the current version of which is attached as Exhibit "E".

"Storm Water Management System" means the drainage areas, drainage easements, retention areas, storm water piping systems, drains, catch basins and other related apparatus and facilities intended to provide storm water management and control for the Property.

"Stormwater Operations and Maintenance Plan" means the Stormwater Operations and Maintenance Plan for the Stormwater Management System required to be adhered to by the Association, as such may be amended or modified by the Town from time to time, the current version of which is attached to this Declaration as Exhibit "D".

"Total Planned Lots" means the total number of Lots planned for Vineyard Square by the Site Plan as such may exist from time to time and as reflected by the Site Plan as may be updated from time to time with the approval of the Town. For the purposes hereof, the term "Total Planned Lots" shall mean 191 Lots, as such number may be adjusted to reflect changes in the Site Plan which are approved by the Town.

"Town" means the Town of Chapel Hill, Orange County, North Carolina.

"Town Recreation Area" means that certain 14.6664 acre parcel of real property located adjacent to the Property dedicated to the Town as a public park and recreation area as shown on the Site Plan.

"Town Resolution" means Resolution 2001-06-25/R-19a, adopted by the Town on June 25, 2001, and all amendments and modifications thereof.

"Turnover Date" means the earlier of (i) the date when seventy-five percent (75%) of the Total Planned Lots have been improved with a Dwelling Unit and conveyed to an Owner other than a successor Declarant for use as a primary residence, (ii) the date on which Declarant records in the Public Records a document relinquishing its control of the Association to the members at large, or (iii) the date that is seven (7) years following the date this Declaration are first recorded in the Public Records.

"Vineyard Square" or the "Project" means the single-family residential town home community planned for development in multiple separate stages.

ARTICLE II
PLAN OF DEVELOPMENT;
ASSOCIATION PROPERTY: RULES AND REGULATIONS

A. Plan of Development. Declarant plans to develop Vineyard Square in multiple stages. The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is more particularly described on Exhibit "A" hereto, and will contain 191 Lots and the Association Property located on the Property. Additional subsequent stages, if any, may consist of Lots and Association Property located within any other Additional Property made subject to this Declaration pursuant to Section B.1 of Article II as shown on a Final Plat of such property.

Declarant's general plan of development of Vineyard Square contemplates the construction of Dwelling Units thereon and, further, that various improvements will be constructed on the

Lots and other portions of the Property which will enhance Vineyard Square and benefit the Owners of all Lots, however there is no obligation imposed by this Declaration on the Declarant to build a Dwelling Unit on any particular Lot. Declarant's general plan of development further contemplates that such Dwelling Units shall be whatever types of structures Declarant may choose (subject to the applicable zoning and density requirements of the applicable governmental authorities). Declarant's general plan of development of Vineyard Square is reflected by the Site Plan and may also include whatever facilities and amenities Declarant considers in its sole judgment to be appropriate to the community. Declarant reserves the right to increase or decrease the number of Lots reflected and/or permitted by the Site Plan as approved by the Town in accordance with applicable law, and such change shall not require an amendment to this Declaration.

B. Supplement for Additional Property.

1. Contiguous Property acquired by Declarant or approved by Members. Prior to the Turnover Date, Declarant shall have the right, without the approval or joinder of the Association, the Owners or any other Person (except if applicable, the consent of HUD/VA as provided in Section B.3 of this Article II), to bring under the provisions of this Declaration and thereby add to the Vineyard Square community, any real property owned or acquired by Declarant which is contiguous to the Property or which is contiguous with a public or private street adjacent to the Property, provided that the annexation of such real property is for the purposes of reflecting changes or modifications to the Site Plan which have been approved by the Town. To the extent that such additional contiguous property is thereafter made part of Vineyard Square by a Supplement, reference herein to the Property shall be deemed to include such Additional Property, including such portion being deemed part of the Site Plan for Vineyard Square and the number of Total Planned Lots shall be increased by the number of Lots (if any) depicted on the final subdivision plat of such Additional Property.

After the Turnover Date, upon the vote or written consent of the Owners of not less than ninety (90%) of the Lots, any real property which is contiguous to the Property or which is contiguous with a public or private street adjacent to the Property may be brought under the provisions of this Declaration and thereby added to the Vineyard Place community, provided that the annexation of such real property is for the purposes of reflecting changes or modifications to the Site Plan which have been approved by the Town. To the extent that any contiguous property approved for annexation by the Owners after the Turnover Date is thereafter made part of Vineyard Square by a Supplement, reference herein to the Property shall be deemed to include such property.

2. Association Property within Additional Property. If any Additional Property is made part of Vineyard Square and subjected to this Declaration by the recording of a Supplement as provided above, any Association Property located within such newly annexed portion of the Property shall be conveyed to the Association prior to the date the first Lot in such property is conveyed to an Owner as provided in Section D.19 of this Article II.

3. HUD/VA Approval. If prior to the Turnover Date, the Property is subject to the requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency that insures, guaranties, or purchases mortgages, the annexation of any Additional Property requires the prior approval of HUD/VA.

C. Withdrawal. Prior to the Turnover Date, Declarant reserves the right to amend this Declaration at any time, without prior notice and without the consent of any Person (except if applicable, the consent of HUD/VA as provided above) for the purpose of removing certain portions of the Property then owned by Declarant from the provisions of this Declaration to the extent that such real property was included originally in error or as a result of changes in the plans for Vineyard Square desired by Declarant.

D. Association Property. The Association Property is for the use, enjoyment, and benefit of the Association and the Owners, the residents of the Property, and their respective guests and invitees, tenants, the Institutional Mortgagees, and subject to the ordinances of the Town, and any other person authorized to use the Association Property or any portion thereof by Declarant or the Association for all proper and reasonable purposes and uses for which same are reasonably intended, subject to the terms of this Declaration, and the terms of any easement, restriction, reservation or limitation of record affecting the Association Property or contained in the deed or instrument conveying the Association Property to the Association. The Association Property shall consist of the property hereinafter described.

1. Storm Water Management System. The Storm Water Management System, including the Pond, shall be kept and maintained by the Association. The Association shall use and maintain those portions of the Storm Water Management System owned by the Association substantially in the same fashion as constructed by Declarant, and according to the requirements set forth on the Stormwater Operations and Maintenance Plan and all other applicable requirements of the Town and other applicable governmental authorities. The Association shall be responsible for the performance and implementation of the storm water drainage, operations and maintenance plan approved by the Town for the Project. The operation and maintenance of the Pond is set forth in Section D. 8 below.

2. Roadways and Rights of Way. Any portion of the Property shown on a Final Plat as a roadway, street (collectively, "Roadway") or right of way ("Right of Way") and all improvements thereon shall be dedicated to the Town or other applicable governmental agency as a public right-of-way for ingress and egress to and from all portions of the Property. Except for the Common Parking Spaces located within a Right of Way or Roadway and the unimproved portions of the Right-Way of Weaver Dairy Road, the Association shall have no responsibility for the maintenance thereof, but shall have the right, but not the obligation, to provide supplemental maintenance together with the Town or other governmental agency, as the Board may determine in its sole discretion. The Common Parking Spaces within a Roadway or Right of Way shall be maintained by the Association as provided in Section D.3 of this Article and in the encroachment agreement entered into between the Association and the Town. Until the unimproved portions of the Weaver Dairy Road Right of Way are paved, the Association shall have the responsibility to provide supplemental maintenance for mowing and general lawn maintenance within the unimproved portion of the Weaver Dairy Road Right of Way. The Association shall maintain such areas in the same condition and appearance as the adjacent Open Space Areas, as if such Right of Way area was an Open Space Area of the Project.

3. Common Parking Spaces. Any parking spaces located on Association Property, within a Right of Way or Roadway or otherwise not located upon a Lot ("Common Parking Space") shall be maintained by the Association, including the associated curb and gutter located between the Common Parking Spaces and the sidewalk. The Common Parking Spaces located with any Right of Way or Roadway are subject to an "Encroachment Agreement" that the Association has entered into with the Town, pursuant to which the Association is obligated to maintain the Common Parking Spaces within a Right of Way or Roadway, including the curb and gutter between the Common

Parking Spaces and the sidewalk. The Association is bound by the terms and provisions of the encroachment agreement and shall use and maintain the Common Parking Spaces in substantially the same fashion as constructed by Declarant and in accordance with the requirements of the Town and the encroachment agreement. The Common Parking Spaces shall be for the use and benefit of all of the Owners and no Owner shall claim any exclusive right to use any Common Parking Space, regardless of the location of any such Common Parking Space. To the extent that any portion of a Common Parking Space is located upon a Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of the Owners and the Association as provided in Section B.11 of Article VIII.

4. Landscape Areas. Any portion of the Property shown on a Final Plat as a landscape area, buffer area, landscape buffer, landscape easement or otherwise established for landscape use ("Landscape Areas") shall be used and maintained by the Association substantially in the same fashion as constructed by Declarant. To the extent that any portion of a Landscape Area is located upon any Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of Declarant and the Association as provided in Section B.7 of Article VIII.

5. Open Space Areas. Any portion of the Property shown on a Final Plat as a separate parcel of property for use as an open space area, or otherwise established for use as an open or natural area ("Open Space Areas") shall be owned by the Association. Any Open Space Area shall be used and maintained by the Association in accordance with any applicable requirements and regulations of the Town and the applicable governmental authorities. Portions of the Open Space Areas may contain other Association Property or Association Property Improvements, such as the Pond, Landscape Areas, bicycle parking racks, Play Areas, mail kiosks and Pedestrian Walkways. Such areas and Improvements shall be used and maintained by the Association substantially in the same fashion as constructed by Declarant and as may otherwise be specifically set forth in this Declaration.

6. Entryway and Signage Areas. Any portion of the Property shown on a Final Plat as an entryway area or easement ("Entryway Area") or signage area or easement ("Signage Area") shall be used and maintained by the Association in substantially the same fashion as landscaped and constructed by Declarant. To the extent that any portion of an Entryway Area or Signage Area is located upon any Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of Declarant and the Association as provided in Section B.7 of Article VIII.

7. Waste Receptacle Areas. Any portion of the Property shown on the Site Plan or a Final Plat as a site containing waste or recycling receptacles, containers, or dumpsters, or is designated as a site for the collection and removal of bulk trash and recycling materials ("Waste Receptacle Area") shall be owned and maintained by the Association, except for any recycling containers, garbage dumpsters, trash containers or equipment owned by the applicable contractor(s) providing bulk trash collection and/or recycling services for the Project. As required by the Town, portions of the Property are shown on the Site Plan or other applicable construction plan for the Project as a potential future site designated for the construction, installation, location and operation of additional bulk trash and recycling facilities and equipment (the "Future Receptacle Areas"). If the Association elects in accordance with Section A.3 of Article IX, to request public trash removal and recycling services from the Town or the County, the Association shall be obligated to install and construct the additional trash and recycling collection facilities and equipment within the Future Receptacle Areas prior to the Town or County's provision of any such services.

8. Pond(s). The Association shall own and maintain the Pond for storm water retention and detention as part of the Storm Water Management System. The Association shall use and maintain the Pond in accordance with the provisions of Section T of Article XI and the requirements and regulations of the Town and all other governmental authorities having jurisdiction over the Property and the Storm Water Management System. As indicated on Exhibit "D", the Association is required to provide the Town stormwater engineer with a certification by a professional engineer as to the storage capacity of the Pond on an annual basis, and the Association, its successors and assigns, shall be obligated to provide the Town engineering department with written notice regarding any transfer in ownership of the Pond.

9. Sidewalks; Pedestrian Walkways; Street Lights. The Association shall maintain any common sidewalks or walkways within the Property with the exception of the sidewalks located within the Roadways and Rights-of-Way, which shall be owned and maintained by the Town or other applicable governmental authority, and subject to the encroachment agreement referred to in Sections D.2 and D. 3 of this Article. The Association shall not be responsible for the maintenance of any sidewalk or walkway exclusively serving only one Lot or located upon a Lot. Any common pedestrian walkways or access areas not located in a Roadway or on a Lot and shown on any Final Plat shall be Association Property, owned and maintained by the Association substantially in the same fashion as constructed by Declarant.

The street lights located within the right-of-way of the public streets within Vineyard Square shall be owned and maintained by the applicable utility company providing the electricity to illuminate the street lights. Declarant, the Town and the applicable utility company providing electric service to Vineyard Square are entering into an agreement regarding the street lights in the Project pursuant to which the Association is obligated to reimburse the applicable utility provider for a portion of the costs of the electricity required to illuminate the street lights and the cost of upgrading, maintaining, repairing and replacing the street lights. The expenses incurred by the Association as a result of the Association's obligations established in the agreement referred to above shall be an Operating Expense of the Association and funded by the Individual Lot Assessments collected from the Owners. The rights of the applicable utility provider, as established by the agreement regarding the street lights may also be assigned to or enforced by the Town.

10. Play Areas; Tot Lots. Any areas indicated on a Final Plat as a "tot lot" or other designated play area ("Play Area"), shall be owned and maintained by the Association, together with all improvements located thereon, if any. The Association shall maintain any Improvements on a Play Area that are constructed by Declarant in substantially the same fashion as constructed by Declarant.

11. Town Recreation Area. The Town Recreation Area is not a part of the Property and is or shall be dedicated to the Town for recreational purposes. The Town Recreation Area shall be used and maintained by the Town and neither Declarant nor the Association has any control or rights in and to the Town Recreation Area, except as members of the public. The use, improvement, maintenance repair and operation of the Town Recreation Area shall be controlled by the Town and shall be subject to the applicable ordinances and requirements of the Town. Neither Declarant nor the Association makes any representation, express or implied, regarding the Town's plans for the use, improvement, development, maintenance or operation of the Town Recreation Area. The general public may have the right to use the Town Recreation Area for the purposes established by the Town and in accordance with the requirements of the Town.

12. Fire Protection System. The current ordinances of the Town require fire protection sprinklers to be installed in the Dwelling Units along with the associated fire protection lines, equipment and Improvements. The fire protection equipment and Improvements installed within a Dwelling Unit are connected to a master fire protection facility that contains a water supply, meters, controls and other equipment designed to service multiple Dwelling Units. The Association shall own and maintain as Association Property, all of the fire protection sprinkler heads, water lines meters, valves, equipment, facilities and other Improvements designed to provide fire protection for the Dwelling Units and other building Improvements in the Project (the "Fire Protection System"), including the sprinkler heads and appurtenant lines and facilities installed within a Dwelling Unit. The expenses incurred by the Association in owning, operating, maintaining, repairing, inspecting and replacing the Fire Protection System shall be an Operating Expense funded by the Individual Lot Assessments.

13. Other Property. In addition to the Association Property specifically described in this Section D of Article II, Association Property shall also consist of such other property, real or personal, and interests therein as may be determined by Declarant to be of use or benefit to the Association, its Members or Vineyard Square and designated as Association Property by Declarant.

14. Maintenance of Other Property benefiting the Association. In addition to the Association Property specifically set forth in this Declaration, the maintenance responsibility of the Association may include, without limitation, any landscaping on public roadways or other property adjacent to the Property selected by the Board for maintenance and determined by the Board as benefiting Vineyard Square with the approval of the owner of such property or the governmental authority responsible for maintenance of same.

15. Right to Add Additional Improvements. Such portions of the Association Property upon which Declarant has constructed, or hereinafter constructs, Improvements shall be kept and maintained for use in a manner consistent with the nature of such Improvements located, or to be located thereon. Until the Turnover Date, Declarant reserves the right, but shall not be obligated, to construct additional facilities upon the Association Property. Until the Turnover Date, the decision as to whether to construct additional facilities and the construction thereof shall be in the sole discretion of Declarant.

16. Administration and Costs of Maintenance. Except as specifically provided to the contrary herein, all costs associated with operating and maintaining the Association Property shall be the obligation of the Association; such costs shall be an Operating Expense. The Association Property shall be conveyed to the Association in accordance with the provisions of Section D.19 of this Article II. The administration, management, operation and maintenance of the Association Property shall be the responsibility of the Association, all as is provided herein and in the other Association Documents.

17. Private Use. Except as otherwise expressly provided for herein, for the term of this Declaration, the Association Property is not for the use and enjoyment of the public, but is expressly reserved for the private use and enjoyment of Declarant, the Association, and the Lot Owners in Vineyard Square, their family members, guests, invitees and lessees, and any other Person authorized to use the Association Property or any portion thereof by Declarant or the Association but only in accordance with this Declaration and the laws of the Town and the applicable governmental authorities.

18. Declarant's Rights to Use Association Property. Notwithstanding anything in this Declaration to the contrary, however, Declarant, subject to the ordinances of the Town, hereby expressly reserves the right to use the Association Property and the Lots in connection with the sale and marketing by Declarant of Dwelling Units in Vineyard Square and Additional Properties developed by Declarant, including, but not limited to, the holding of sales and marketing meetings, sales promotions and related activities.

19. Conveyance of Association Property. Declarant agrees that fee simple title to the Association Property shall be conveyed to the Association by deed, bills of sale, easements or leases, as applicable, and the Association is obligated to accept, fee simple title to the Association Property, as applicable, subject to: (i) the terms and provisions of this Declaration; (ii) all applicable Association Documents; (iii) real estate taxes for the year of such conveyance; (iv) all applicable zoning ordinances; and (v) utility and drainage easements. While Declarant shall have the right to convey or cause to be conveyed all or such portions of the Association Property as Declarant shall from time to time determine, the conveyance of the Association Property located within any portion of the Property shall be effectuated no later than the sale by Declarant of the first Lot shown on the Final Plat for such portion of the Property. If the Property is subject to the requirements of the VA, The Federal Housing Administration ("FHA"), the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, the conveyance of Association Property shall be effectuated no later than the date that the United States Department of Housing and Urban Development ("HUD") insures the first mortgage in the portion of the Property in which the Association Property is located. At the time of conveyance of the Association Property or any portion thereof, the Association shall be required to accept such conveyance of the Association Property or portions thereof and the personal property and improvements appurtenant thereto. The Association hereby agrees to accept the Association Property and the personal property and improvements appurtenant thereto "AS IS", without any representation or warranty, expressed, implied, in fact or by law, as to the condition or fitness of the Association Property or portions thereof and the personal property and improvements thereon, subject to the obligation of Declarant to convey the Association Property to the Association free of any liens or encumbrances, including, but not limited to, any mortgages, deeds of trust, or mechanic's or materialmen's liens for any work performed by or on behalf of such developers for the completion of the Improvements to the Association Property.

The Association Property shall not be mortgaged or conveyed by the Association without (i) the approval of two-thirds (2/3) of the Members (other than Declarant), and (ii) compliance with and satisfaction of the applicable provisions of the Planned Community Act (if any), including the affirmative approval of any higher percentage of Members or of votes attributable to the Members (or each class of Members) than the percentage specified herein as may be prescribed by the Planned Community Act. All rights of the mortgagee shall be subordinate to the rights of the Association and its Members.

In addition, if prior to the Turnover Date, the Property is subject to the requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, the Association Property cannot be mortgaged or conveyed by the Association without the prior approval of HUD/VA.

20. Rules and Regulations. The Association shall, from time to time, impose rules and regulations regulating the use and enjoyment of the Association Property. The rules and regulations so

promulgated shall, in all respects, be consistent with the provisions of the Association Documents. The right to use the Association Property shall be subject to the rules and regulations established by the Association. The rules and regulations shall not apply to Declarant as an Owner.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION;
BOARD; DURATION OF THE ASSOCIATION

A. Membership and Voting Rights. Each Member shall be entitled to the benefit of, and be subject to, the provisions of the Association Documents. The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be established and terminated as set forth below:

1. Membership in the Association for Owners other than Declarant and ADU Owners shall be established by the acquisition of ownership of fee title to a Lot as evidenced by the recording of an instrument of conveyance among the Public Records of the County. Membership in the Association for ADU Owners shall be established by the acquisition of an Affordable Dwelling Unit and a leasehold interest in a Lot, as evidenced by the recording of a deed of conveyance of the Affordable Dwelling Unit and a memorandum of lease on the Lot in the Public Records of the County. Otherwise, voting rights attributable to an ownership interest shall vest upon the recording of a Final Plat creating Lots to which voting rights are appurtenant. Where title to a Lot is acquired by conveyance from a party other than Declarant by means of sale, gift, inheritance, devise, judicial decree or otherwise, the person, persons or entity thereby acquiring such Lot shall not be a Member unless or until such Owner shall deliver a true copy of a deed or other instrument of acquisition of title to the Association, but if the Lot so acquired is a Contributing Lot as defined in this Declaration, the person, persons or entity thereby acquiring such Lot shall be deemed to be a Contributing Lot Owner upon the acquisition of such Lot and liable to the Association for Assessments attributable to such Lot in accordance with the provisions of Article IV and V, regardless of the membership status of such Contributing Lot Owner.

2. The Association shall have two (2) classes of voting membership:

i. "Class A Members" shall be all Members, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned.

ii. "Class B Members" shall be Declarant who shall be entitled to three (3) votes for each Lot owned by Declarant. Class B membership shall cease and be converted to Class A membership upon the Turnover Date.

On the Turnover Date, Class A Members, including Declarant, shall assume control of the Association and elect the Board.

3. The designation of different classes of membership is for the purposes of establishing the number of votes applicable to certain Lots, and, nothing herein shall be deemed to require voting solely by an individual class on any matter which requires the vote of Members, unless otherwise specifically set forth in Association Documents.

4. No Member may assign, hypothecate or transfer in any manner his membership in the Association except as an appurtenance to his Lot.

5. Any Member who conveys or loses title to a Lot by sale, gift, devise, bequest, judicial decree or otherwise shall, immediately upon such conveyance or loss of title, no longer be a Member with respect to such Lot and shall lose all rights and privileges of a Member resulting from ownership of such Lot, but shall remain personally liable to the Association for any unpaid Assessments levied upon the subject Lot which accrue during the period of such Person's ownership of the Lot.

6. There shall be only one (1) vote for each Lot, except for Class B Members as set forth herein. If there is more than one Member with respect to a Lot as a result of the fee interest in such Lot being held by more than one person, then all such persons shall be Members, but no more than one vote shall be cast with respect to any Lot. The vote for any such Lot shall be exercised as the Members holding an interest in such Lot determine among themselves. In the event of disagreement, the decision of Members holding a majority of interest in such Lot shall govern. Fractional voting shall not be allowed. Unless otherwise notified by a co-owner as to a dispute between the co-owners regarding their vote prior to the casting of that vote, the vote of any co-owner shall be conclusively presumed to be the majority vote of the Owners of that Lot.

7. Unless this Declaration, the Bylaws, the Articles, or the Planned Community Act requires a higher percentage, a quorum shall consist of persons entitled to cast at least twenty percent (20%) of the total number of votes of the Members.

B. Board. The Association shall be governed by the Board, which shall be appointed, designated or elected, as the case may be, as set forth in the Bylaws.

C. Duration of Association. The duration of the Association shall be perpetual, as set forth in the Articles.

ARTICLE IV

COVENANT TO PAY ASSESSMENTS FOR OPERATING EXPENSES; ESTABLISHMENT OF LIENS; COLLECTION OF ASSESSMENTS; COLLECTION BY DECLARANT; CERTAIN RIGHTS OF DECLARANT AND INSTITUTIONAL MORTGAGEES; NON-MONETARY DEFAULTS; FINES

A. Affirmative Covenant to Pay Operating Expenses. In order to: (i) fulfill the terms, provisions, covenants and conditions contained in the Association Documents; and (ii) maintain, operate and preserve the Association Property for the use, safety, welfare and benefit of the Members and their family members, guests, invitees and lessees, there is hereby imposed upon each Contributing Lot and Contributing Lot Owner (with the exception of Declarant for so long as Declarant pays the Deficit during the Guarantee Period referred to in Section F of Article V) the affirmative covenant and obligation to pay to the Association (in the manner herein set forth) all Assessments, including, but not limited to, the Individual Lot Assessments, Special Assessments and Individual Expense Assessments. Each Owner (except, if applicable as provided in Section F of Article V, Declarant) by acceptance of a deed or other instrument of conveyance conveying a Lot within the Property from Declarant, whether or not it shall be so expressed in such deed or instrument, shall be obligated and agrees to pay to the Association all Assessments for Operating Expenses in accordance with the provisions of the Association Documents.

B. Establishment of Liens. Any and all Assessments made by the Association in accordance with the provisions of the Association Documents with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Contributing Lot against which each such Assessment is made. Each Assessment against a Contributing Lot, together with Interest thereon, including, but not limited to, Legal Fees, shall be the personal obligation of the Contributing Lot Owner of such Contributing Lot. Said lien shall be effective only from and after the time of the recordation amongst the Public Records of the County of a written, acknowledged statement by the Association setting forth the amount due to the Association as of the date the statement is signed. Upon full payment of all sums secured by that lien, the party making payment shall be entitled to a satisfaction of the statement of lien in recordable form. Notwithstanding anything to the contrary herein contained, where an Institutional Mortgagee of record obtains title to a Contributing Lot as a result of foreclosure of its first mortgage or deed in lieu of foreclosure, such acquirer of title, its successors or assigns, shall not be liable for the share of Assessments pertaining to such Contributing Lot or chargeable to the former Contributing Lot Owner thereof which became due prior to the acquisition of title as a result of the foreclosure or deed in lieu thereof, unless the Assessment against the Contributing Lot in question is secured by a claim of lien for Assessments that is recorded prior to the recordation of the mortgage which was foreclosed or with respect to which a deed in lieu of foreclosure was given.

C. Collection of Assessments. In the event any Contributing Lot Owner shall fail to pay any Assessment (or installment thereof) charged to such Contributing Lot Owner within fifteen (15) days after the same becomes due, then the Association, through its Board, shall have any and all of the following remedies to the extent permitted by law, which remedies are cumulative and which remedies are not in lieu of, but are in addition to, all other remedies available to the Association:

1. To accelerate the entire amount of any Assessments for the remainder of the calendar year notwithstanding any provisions for the payment thereof in installments.

2. To advance on behalf of the Contributing Lot Owner(s) in default funds to accomplish the needs of the Association up to and including the full amount for which such Contributing Lot Owner(s) is liable to the Association and the amount or amounts of monies so advanced, together with Interest and all costs of collection thereof, including, but not limited to, Legal Fees, may thereupon be collected by the Association and such advance by the Association shall not waive the default.

3. To file an action in equity to foreclose its lien at any time after the effective date thereof. The lien may be foreclosed by an action in the name of the Association in like manner as a foreclosure of a mortgage on real property.

4. To file an action at law to collect said Assessment plus Interest and Legal Fees, without waiving any lien rights or rights of foreclosure in the Association.

5. To charge Interest on such Assessment from the date it becomes due, as well as a late charge of Twenty-Five Dollars (\$25.00) by the Association to defray additional collection costs.

D. Collection by Declarant. In the event for any reason the Association shall fail to collect the Assessments, then, in that event, Declarant shall at all times have the right prior to the Turnover Date (but not the obligation): (i) to advance such sums as the Association could have advanced as set forth above; and (ii) to collect such Assessments and, if applicable, any such sums advanced by Declarant; using the remedies available to the Association against a Contributing Lot Owner as set forth in Section C of this

Article IV, which remedies (including, but not limited to, recovery of Legal Fees) are hereby declared to be available to Declarant.

E. Rights of Declarant, Institutional Mortgagees, and OCHLT to Pay Assessments and Receive Reimbursement. Declarant, any Institutional Mortgagee, and OCHLT, shall have the right, but not the obligation, jointly or singly, and at their sole option, to pay any of the Assessments which are in default and which may or have become a charge against any Contributing Lots. Further, Declarant, any Institutional Mortgagee, and OCHLT, shall have the right, but not the obligation, jointly or singly, and, at their sole option, to pay insurance premiums or fidelity bond premiums or other required items of Operating Expenses on behalf of the Association where the same are overdue and where lapses in policies or services may occur. If Declarant, any Institutional Mortgagee, or OCHLT pays overdue Operating Expenses on behalf of the Association, such party (as applicable) will be entitled to immediate reimbursement from the Association plus Interest and any costs of collection including, but not limited to, Legal Fees, and the Association shall execute an instrument in recordable form to this effect and deliver the original of such instrument to each party who is so entitled to reimbursement pursuant to this Section E of Article IV.

F. Rental and Receiver. If an Owner remains in possession of his Dwelling Unit and the claim of lien of the Association against his Lot is foreclosed, the court, in its discretion, may require the Owner to pay a reasonable rental for the Dwelling Unit, and the Association is entitled to the appointment of a receiver to collect the rent.

G. Assignment of Claim and Lien Rights. The Association, acting through its Board, shall have the right to assign its claim and lien rights for the recovery of any unpaid Assessments and any other monies owed to the Association, to any third party.

H. Unpaid Assessments Certificate. Within fifteen (15) days after written request by any Owner or any Institutional Mortgagee holding or making a mortgage encumbering any Lot, the Association shall provide the Owner or Institutional Mortgagee a written certificate as to whether or not the Owner of the Lot is in default with respect to the payment of Assessments or with respect to compliance with the terms and provisions of this Declaration, and any person or entity who relies on such certificate in purchasing or in making a mortgage loan encumbering any Lot shall be protected thereby.

I. Application of Payments. Any payments made to the Association by any Owner shall first be applied towards any sums advanced and paid by the Association for taxes and payment on account of superior mortgages, liens or encumbrances which may have been advanced by the Association in order to preserve and protect its lien, next toward reasonable attorneys' fees incurred by the Association incidental to the collection of assessments and other moneys owned to the Association by the Owner and/or for the enforcement of its lien; next towards interest on any Assessments or other moneys due to the Association, as provided herein, and next towards any unpaid Assessments owed to the Association, in the inverse order that such Assessments were due.

J. Non-Monetary Defaults. In the event of a violation by any Owner or any tenant of an Owner, or any person residing with them, or their guests or invitees, (other than the non-payment of any Assessment or other monies) of any of the provisions of this Declaration, the Articles, the Bylaws or the rules and regulations of the Association, the Association shall notify the Owner and any tenant of the Owner of the violation, by written notice. If such violation is not cured as soon as practicable and in any

event within seven (7) days after such written notice, or if the violation is not capable of being cured within such seven (7) day period, if the Owner or tenant fails to commence and diligently proceed to completely cure such violation as soon as practicable within seven (7) days after written notice by the Association or if any similar violation is thereafter repeated, the Association may, at its option:

1. Impose a fine against the Owner or tenant as provided in Section K of this Article IV;
and/or
2. Commence an action to enforce the performance on the part of the Owner or tenant, or for such equitable relief as may be necessary under the circumstances, including injunctive relief; and/or
3. Commence an action to recover damages; and/or
4. Take any and all actions reasonably necessary to correct such failure, which action may include, where applicable, but is not limited to, removing any addition, alteration, improvement or change which has not been approved by the "Committee" or erected in accordance with the Committee's approval (as herein defined), or performing any maintenance required to be performed by this Declaration.

All expenses incurred by the Association in connection with the correction of any failure, plus a service charge of ten percent (10%) of such expenses, and all expenses incurred by the Association in connection with any legal proceedings to enforce this Declaration, including reasonable Legal Fees, shall be assessed against the applicable Owner as an Individual Expense Assessment in accordance with Section D of Article V. The Association shall have a lien for any such Individual Expense Assessment and any interest, costs or expenses associated therewith, including Legal Fees incurred in connection with such Assessment, and may take such action to collect such Assessment or foreclose said lien as in the case and in the manner of any other Assessment as provided above. Any such lien shall only be effective from and after the recording of a claim of lien in the Public Records of the County in which the Property is located.

K. Fines. The amount of any fine shall be determined by the Board, and shall not exceed the greater of \$25.00 or one (1) month's Assessment for Operating Expenses for the first offense, the greater of \$50.00 or two (2) months' Assessment of Operating Expenses for a second similar offense, and the greater of \$100.00 or three (3) months' Assessment for Operating Expenses for a third or subsequent similar offense. Notwithstanding the foregoing, if any violation of this Declaration or the rules and regulations is of a continuing nature, and if the Owner fails to cure any continuing violation within thirty (30) days after written notice of such violation, or if such violation is not capable of being cured within such thirty (30) day period, if the Owner fails to commence action reasonably necessary to cure the violation within such thirty (30) day period or shall thereafter fail to diligently proceed to cure the violation as soon as is reasonably practical, a daily fine may be imposed until the violation is cured in an amount not to exceed the greater of \$10.00 or 1/4 of one (1) months' Assessment for Operating Expenses. Prior to imposing any fine, the Owner or tenant shall be afforded an opportunity for a hearing after reasonable notice to the Owner or tenant of not less than fourteen (14) days, which notice shall include (i) a statement of the date, time and place of the hearing, (ii) a statement of the provisions of this Declaration, Bylaws or rules and regulations which have allegedly been violated, and (iii) a short and plain statement of the matters asserted by the Association. The Owner of a leased Dwelling Unit shall have the right to participate in any hearing involving the tenant of such Dwelling Unit, and the Association shall provide notice to the Owner of such Dwelling Unit concurrently with the Association's notice to the tenant of the subject Dwelling Unit. The Owner or tenant shall have an opportunity to respond, to present evidence, and to provide written and oral argument on all issues involved and shall have an opportunity at the hearing to review, challenge and respond to any material considered by the Association. At the hearing, the Board

shall conduct a reasonable inquiry to determine whether the alleged violation in fact occurred, and if the Board so determines, it may impose such fine as it deems appropriate by written notice to the Owner or tenant. If the Owner or tenant fails to attend the hearing as set by the Board, the Owner or tenant shall be deemed to have admitted the allegations contained in the notice to the Owner or tenant. Any fine imposed by the Board shall be due and payable within ten (10) days after written notice of the imposition of the fine, or if a hearing is timely requested within ten (10) days after written notice of the Board's decision at the hearing. Any fine levied against an Owner shall be deemed an Individual Expense Assessment, and if not paid when due all of the provisions of this Declaration relating to the late payment of Assessments shall be applicable. If any fine is levied against a tenant and is not paid within ten (10) days after it is due, the Association shall have the right to evict the tenant as hereinafter provided.

I. Negligence. An Owner shall be liable and may be assessed by the Association for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, to the extent otherwise provided by law and to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of a Lot or Dwelling Unit or the Association Property.

M. Responsibility of an Owner for Occupants, Tenants, Guests, and Invitees. To the extent otherwise provided by law, each Owner shall be responsible for the acts and omissions, whether negligent or willful, of any person residing in his Dwelling Unit, and for all guests and invitees of the Owner or any such resident, and in the event the acts or omissions of any of the foregoing shall result in any damage to the Association Property, or any liability to the Association, the Owner shall be assessed for same as in the case of any other Assessment, limited where applicable to the extent that the expense or liability is not met by the proceeds of insurance carried by the Association. Furthermore, any violation of any of the provisions of this Declaration, the Articles, or the Bylaws, by any resident of any Dwelling Unit, or any guest or invitee of an Owner or any resident of a Dwelling Unit, shall also be deemed a violation by the Owner, and shall subject the Owner to the same liability as if the violation was that of the Owner.

N. Right of the Association to Evict Tenants, Occupants, Guests and Invitees. With respect to any tenant or any person present in any Dwelling Unit or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Dwelling Unit, if such person shall materially violate any provision of this Declaration, the Articles, or the Bylaws, or shall create a nuisance or an unreasonable and continuous source of annoyance to the residents of the Property, or shall willfully damage or destroy any Association 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 tenant or compel the person to leave the Property and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have a lien for same as elsewhere provided. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Owner of a leased Dwelling Unit concurrently with any notices sent to the tenant of such Dwelling Unit pursuant to this Section N of Article IV, and such Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Owner's Dwelling Unit. The right of eviction provided for in this section shall be inserted in every lease, but the omissions from the lease agreement of such right shall not affect the right to evict as set forth herein.

O. No Waiver. The failure of the Association to enforce any right, provision, covenant or condition which may be granted by this Declaration, the Articles, or the Bylaws, shall not constitute a waiver of the right of the Association to enforce such right, provision, covenant or condition in the future.

P. Rights Cumulative. All rights, remedies and privileges granted to the Association pursuant to any terms, provisions, covenants or conditions of this Declaration, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude the Association from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

ARTICLE V
METHOD OF DETERMINING ASSESSMENTS AND ALLOCATION OF ASSESSMENTS

A. Determining Amount of Assessments. The total anticipated Operating Expenses for each calendar year shall be set forth in the budget ("Budget") prepared by the Board as required under the Association Documents. The total anticipated Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) shall be apportioned equally among the Contributing Lots by dividing the total anticipated Operating Expenses as reflected by the Budget, other than those Operating Expenses which are properly the subject of a Special Assessment (adjusted as hereinafter set forth), by the total number of Contributing Lots (as evidenced by the issuance of a certificate of occupancy), with the quotient thus arrived at being the "Individual Lot Assessment". Provided, however, the first Budget and all subsequent Budgets prepared during the Guarantee Period referred to in Section F of Article V, shall be based upon a full build-out of Vineyard Square and the Individual Lot Assessment shall be determined by dividing the amount of the total anticipated Operating Expenses at full build-out by a number equal to the number of Total Planned Lots multiplied by 75% , plus any increases permitted by the terms of Section F of this Article. Any assessment for legal expenses incurred by the Association to begin legal proceedings against Declarant shall be deemed an Operating Expense which is properly the subject of a Special Assessment and not the subject of a regular Individual Lot Assessment.

Within 30 days after adoption of a Budget, the Board shall provide to all Contributing Lot Owners, a summary of the Budget and a notice of the meeting to consider ratification of the Budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The Budget is ratified unless at that meeting, ninety percent (90%) or more of the Contributing Lot Owners present in person or by proxy at the meeting, reject the budget. If the Budget is rejected, the Budget last ratified by the Contributing Lot Owners or in effect for the preceding fiscal year of the Association, shall be continued until such time as the Contributing Lot Owners ratify a subsequent Budget adopted by the Board.

B. Assessment Payments. The Individual Lot Assessments shall be payable in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board. The Individual Lot Assessments, and the installments thereof, as well as all Assessments provided for herein and all installments thereof may be adjusted from time to time by the Board to reflect changes in the number and status of Contributing Lots (thus apportioning all such Assessments and installments thereof among all Contributing Lots in existence at the time such installment is due) or changes in the Budget or in the event that the Board determines that the Assessments or any installment thereof is either less than or more than the amount actually required. When a Contributing Lot not in existence when the Assessment

was determined ("New Improved Lot") comes into existence during a period with respect to which an Assessment or installment thereof has already been assessed, the New Improved Lot shall be deemed assessed the amount of such Assessment or installment thereof which was assessed against Lots which qualified as Contributing Lots in existence at the time of such Assessment, prorated from the date the New Improved Lot comes into existence through the end of the period in question. If the due date for such Assessment or installment thereof occurred on or prior to the date the New Improved Lot came into existence, said prorated amount thereof shall be immediately due and payable on the date the New Improved Lot comes into existence.

C. Special Assessment. "Special Assessments" include, in addition to other Assessments designated as Special Assessments in the Association Documents and whether or not for a cost or expense which is included within the definition of "Operating Expenses", those Assessments which are levied for capital improvements which include the costs (whether in whole or in part) of constructing or acquiring improvements for, or on, the Association Property or the cost (whether in whole or in part) of reconstructing or replacing such improvements. It is recognized and declared that Special Assessments shall be in addition to, and are not part of, any "Individual Lot Assessment". Any such Special Assessments assessed against Contributing Lots and Contributing Lot Owners thereof shall be paid by such Contributing Lot Owners in addition to any other assessments. Special Assessments shall be assessed in the same manner as the Individual Lot Assessment. Special Assessments shall be paid in such installments or in a lump sum as the Board shall, from time to time, determine. In any fiscal year of the Association after the Turnover Date, the levying of any Special Assessment shall require the affirmative assent of at least two-thirds (2/3) of all Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws. In any fiscal year of the Association prior to the Turnover Date, the levying of any Special Assessment which exceeds five (5%) of the budgeted Operating Expenses of the Association for that fiscal year, shall require the affirmative assent of at least two-thirds (2/3) of all Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws.

D. Individual Expense Assessments. Individual Expense Assessments include any Assessment levied against any Lot Owner occasioned by such Lot Owner's or any such Lot Owner's family members, guests, invitees or lessees and their family members, guests and invitees use, maintenance, or treatment of the Association Property or Lots or such person's non-compliance with the Association Documents including, but not limited to, non-compliance of Dwelling Units and any other Improvements or personal property contained therein with the standards set forth in the Association Documents, or as adopted from time to time by the Association, which causes the Association or Declarant to incur additional costs and expenses which would not have been incurred if the Lot Owner's or the Lot Owner's family members, guests, invitees or lessees and their family members, guests and invitees had been in compliance with the foregoing ("Noncompliance"). The amount of the Individual Expense Assessment(s) shall be equal to any such additional costs incurred. The Individual Expense Assessment and any late charges relating thereto shall be assessed against the Lot Owner(s) in Noncompliance and collected and enforced in the same manner as any other Assessments hereunder as provided herein.

It is recognized and declared that Individual Expense Assessments shall be in addition to and not part of any other Assessment, any such Individual Expense Assessment assessed against a Lot Owner shall be paid by such Lot Owner in addition to any other Assessment.

E. Liability of Contributing Owners for Individual Assessments. By the acceptance of a deed or other instrument of conveyance of a Lot in the Property, each Owner thereof acknowledges that each Contributing Lot and the Contributing Lot Owners thereof are jointly and severally liable for their own Individual Lot Assessment and their applicable portion of any Special Assessments as well as for all Individual Expense Assessments for which they are liable as provided for herein, provided that during the Guarantee Period referred to in Section F of this Article V, any Contributing Lot owned by Declarant shall not be subject to Assessment so long as Declarant pays the Deficit as provided in said Section F of this Article V. Such Contributing Lot Owners further recognize and covenant that they are jointly and severally liable with the Contributing Lot Owners of all Contributing Lots for the Operating Expenses (subject to any specific limitations provided for herein such as, but not limited to, the limitation with respect to matters of Special Assessments, the limitations on the liability of Institutional Mortgagees and their successors and assigns, and as provided below, the limitations on Contributing Lots owned by Declarant during the Guarantee Period so long as Declarant pays the Deficit). Accordingly, subject to such specific limitations, it is recognized and agreed by each Owner who is or becomes a Contributing Lot Owner, for himself and his heirs, executors, successors and assigns, that in the event other Contributing Lot Owners fail or refuse to pay their Individual Lot Assessment or any portion thereof or their respective portions of any Special Assessments or any Individual Expense Assessments, then the remaining Contributing Lot Owners may be responsible for increased Individual Lot Assessments or Special Assessment or other Assessments due to the nonpayment by such other Contributing Lot Owners, and such increased Individual Lot Assessment or Special Assessment or other Assessment can and may be enforced by the Association and Declarant in the same manner as all other Assessments hereunder as provided in the Association Documents.

F. Declarant Funding During Guarantee Period. Declarant covenants and agrees with the Association and the Contributing Lot Owners that for the period commencing with the date of recordation of this Declaration and ending upon the sooner to occur of the following: (i) the date upon which 128 Lots have become Contributing Lots, or (ii) the date that is four (4) years after the date of first recordation of this Declaration ("Guarantee Period"), that subject to the permitted annual increases described below, the Individual Lot Assessment will be determined by dividing the total anticipated Operating Expenses at full build-out as set forth in the Budget, by a number equal to the number of Total Planned Lots multiplied by 75%; and that Declarant will pay the difference, if any, between (a) the Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) incurred by the Association during the Guarantee Period, and (b) the amounts assessed against the Contributing Lot Owners for Individual Lot Assessments on the Contributing Lots and the "Working Capital Contributions" set forth in Section G of this Article V (the "Deficit"), which will be used to defray initial start up expenses. Thus, during the Guarantee Period, Declarant shall not be obligated to pay any Assessments with respect to any Contributing Lots owned by Declarant. Declarant hereby reserves the right to extend the Guarantee Period to a date ending no later than the Turnover Date at Declarant's sole election by providing written notice to the Association of such election at least thirty (30) days prior to the expiration of a Guarantee Period. After the Guarantee Period terminates, Declarant shall be obligated to pay Assessments for each Contributing Lot owned by Declarant as set forth in Section A of this Article V, and the Contributing Lot Owners shall be obligated to pay Assessments for the Contributing Lots as set forth in such Section A of this Article V.

Commencing on January 1, 2004, unless 90% or more of the Contributing Lot Owners present in person or by proxy at a meeting duly called in accordance with Section A of this Article reject the Budget, the amount of the Individual Lot Assessment may be increased by the Board effective January

1 of each year, but subject to the limitation that the percentage of any such increase shall not exceed 10% of the amount of the Individual Lot Assessment for the previous year unless such increase is approved as set forth in the subparagraph below.

From and after January 1, 2004, the amount of the Individual Lot Assessment may be increased without limitation if such increase is approved by Declarant and by not less than two-thirds (2/3) of all Contributing Lot Owners, present in person or by proxy, at a meeting duly called for this purpose.

Declarant's obligation to fund the Deficit during the Guarantee Period as set forth above, together with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Lot owned by Declarant. Said lien shall be effective only from and after the time of the recordation amongst the Public Records of the County of a written, acknowledged statement by the Association setting forth the amount due to the Association as of the date the statement is signed. Upon full payment of all sums secured by that lien, Declarant shall be entitled to a satisfaction of the statement of lien in recordable form.

G. Working Capital Contribution. Each Owner who purchases a Lot from Declarant shall pay to the Association at the time legal title is conveyed to such Owner a "Working Capital Contribution". The Working Capital Contribution shall be an amount equal to a two months' share of the amount of the current Individual Lot Assessment for the applicable period. The purpose of the Working Capital Contribution is to insure that the Association will have cash available for initial start up expenses including, but not limited to Operating Expenses, to meet unforeseen expenditures or to acquire additional equipment and services deemed necessary or desirable by the Board. Working Capital Contributions are not advance payments of Individual Lot Assessments and shall have no effect on future Individual Lot Assessments.

H. Exempt Property. Operating Expenses shall be assessed only against Contributing Lots which are subject to Assessment under the provisions hereof, and all other portions of the Property shall be exempt therefrom including, but not limited to, the Association Property, any and all Lots or other portions of the Property which may from time to time be withdrawn from the provisions of this Declaration by Declarant, any Lot which is not by definition a Contributing Lot, and during the Guarantee Period for so long as Declarant pays the Deficit as provided in Section F of this Article V, any Contributing Lots owned by Declarant.

ARTICLE VI OPERATING EXPENSES

The Assessments for Operating Expenses of the Association are payable by each Contributing Lot Owner to the Association notwithstanding the fact that Declarant may not have yet conveyed title to the Association Property to the Association. The following operating expenses of the Association are hereby declared to be Operating Expenses which the Association is obligated to assess and collect and which the Contributing Lot Owners are obligated to pay as provided herein or as may be otherwise provided in the Association Documents:

A. Taxes. Any and all taxes levied or assessed at any and all times by any and all taxing authorities including all taxes, charges, assessments and impositions and liens for public Improvements, special charges and assessments and water drainage districts, and in general all taxes and tax liens which

may be assessed against the Association Property and against any and all personal property and Improvements, which are now or which hereafter may be placed thereon, including any interest, penalties and other charges which may accrue thereon shall be considered Operating Expenses. Any and all taxes levied or assessed against the Lots shall be the obligation of the respective Owners thereof.

B. Utility Charges. All charges levied for utilities providing services for the Association Property whether supplied by a private or public firm shall be considered Operating Expenses. It is contemplated that this obligation will include all charges for water, gas, electric, telephone, sewer and any other type of utility or any other type of service charge. All charges related to the illumination, maintenance, repair, replacement and upgrade of the street lights within the public Roadways and payable by the Association pursuant to the agreement referred to in Section D.9 of Article II shall be Operating Expenses. All charges levied for utilities providing services to the Lots shall be the obligation of the respective Owners thereof, with the exception of trash removal, fire protection, and lawn irrigation.

C. Irrigation and Fire Protection Systems. The expenses associated with maintaining and operating a master sprinkler system for the Project that will include providing irrigation for the Lots, shall be an Operating Expense. Such expenses shall include the expense for water consumption and usage in the operation of such system. The expenses associated with the Association's ownership, operation, maintenance, inspection, and repair of the Fire Protection System shall be an Operating Expense, including the expenses associated with any security contract maintained by the Association for monitoring the Fire Protection System.

D. Waste and Recycling Collection. The Association shall enter into and maintain a contract (or contracts) with a private contractor for the provision of trash and recycling collection and removal services for the Project, as provided in Section A.3 of Article IX. The expenses incurred by the Association for the provision of such private trash and recycling collection services for the Project shall be an Operating Expense, including private "curbside collection" (if applicable) and collection from the Waste Receptacle Area(s).

E. Insurance. The premiums on any policy or policies of insurance required to be maintained under this Declaration and the premiums on any policy or policies the Association determines to maintain even if not required to be maintained by the specific terms of this Declaration shall be Operating Expenses.

F. Destruction of Buildings or Improvements on the Association Property. Any sums necessary to repair or replace, construct or reconstruct damages caused by the destruction of any building upon the Association Property by fire, windstorm, flood or other casualty regardless of whether or not the same is covered in whole or in part by insurance shall be Operating Expenses. In the event insurance money shall be payable, such insurance money shall be paid to the Association who shall open an account with a banking institution doing business in the County, for the purpose of providing a fund for the repair and reconstruction of the damage and the procedures for disbursement of any such insurance proceeds or funds shall be in accordance with the applicable and/or additional provisions of the Planned Community Act (if any). The Association shall pay into such account, either in addition to the insurance proceeds or in the event there are no insurance proceeds, such sums as may be necessary so that the funds on deposit will equal the costs of repair and reconstruction of the damage or destruction. The sums necessary to pay for the damage or destruction as herein contemplated shall be considered Operating Expenses but shall be raised by the Association under the provisions for Special Assessments as provided in Section C of Article V of this Declaration and subject to the limitations therein set forth with respect to Special Assessments.

The Association agrees that it will commence the Special Assessments process to provide the funds for the cost of reconstruction or construction within ninety (90) days from the date the destruction takes place and shall go forward with all deliberate speed so that the construction or reconstruction, repair or replacement, shall be completed within a reasonable period of time from the date of damage.

G. Maintenance, Repair and Replacements. Operating expenses shall include all expenses necessary to keep and maintain, repair and replace any and all buildings, other Improvements, personal property and furniture, fixtures and equipment upon the Association Property, including landscaping, lawn and sprinkler service, in a manner consistent with the development of Vineyard Square and in accordance with the covenants and restrictions contained herein, and in conformity with all orders, ordinances, rulings and regulations of any and all federal, state, County and Town governments having jurisdiction over the Property as well as the statutes and laws of the State of North Carolina and the United States. This shall include any expense attributable to the maintenance and repair and replacement of pumps or other equipment, if any, located upon or servicing Vineyard Square pursuant to agreements with utility corporations. Any expenses for replacements which would not be in the nature of normal repair and maintenance shall be the subject of a Special Assessment as provided in Section C of Article V of this Declaration and subject to the limitations thereon set forth with respect to Special Assessments. If the Association is permitted by the owner of property in close proximity to the Property or the governmental authority responsible for maintaining same to provide additional maintenance for such property, and the Board elects to do so in order to enhance the overall appearance of the Property, then the expense thereof shall be an Operating Expense.

H. Exterior Maintenance of Lots. Operating expenses shall include all expenses necessary to keep and maintain, repair and replace those portions of the Lots or for providing those services to the Lots for which the Association is responsible as provided in Section A of Article IX.

I. Indemnification. The Association covenants and agrees that it will indemnify and save harmless Declarant, and the members of the Board from and against any and all claims, suits, actions, damages, and/or causes of action arising from any personal injury, loss of life, and/or damage to property sustained in or about the Property or the appurtenances thereto from and against all costs, Legal Fees, expenses and liabilities incurred in and about any such claim, the investigation thereof or the defense of any action or proceeding brought thereon, and from and against any orders, judgments and/or decrees which may be entered therein. The costs of fulfilling the covenant of indemnification herein set forth shall be deemed to be Operating Expenses.

J. Included in the foregoing provisions of indemnification are any expenses that Declarant may be compelled to incur in bringing suit for the purpose of compelling the specific enforcement of the provisions, conditions and covenants contained in this Declaration to be kept and performed by the Association. The indemnification provisions of this Section J of Article VI shall not apply to any expenses which may be incurred by Declarant to avoid the performance of any of the obligations to be kept and performed by Declarant, or any liability which may be incurred by an Owner as the Owner of a Lot.

K. Administrative and Operational Expenses. The costs of administration of the Association including, but not limited to, any secretaries, bookkeepers and other employees necessary to carry out the obligations and covenants of the Association shall be deemed to be Operating Expenses. In addition, it is contemplated that the Association may retain a management company or companies or contractors (any of which management companies or contractors may be, but are not required to be, a subsidiary, affiliate or an

otherwise related entity of Declarant) to assist in the operation of the Association Property and other obligations of the Association hereunder. The fees or costs of this or any other management company or contractors so retained shall be deemed to be part of the Operating Expenses hereunder. All contracts with management companies shall contain a provision that allows the Association to unilaterally terminate the contract without cause after ninety (90) days notice.

L. Compliance with Laws. The Association shall take such action as it determines necessary or appropriate in order for the Association Property and the Improvements thereon to be in compliance with all applicable laws, statutes, ordinances and regulations of any governmental authority, whether federal, state, county or local, including, without limitation, any regulations regarding zoning requirements, setback requirements, drainage requirements, sanitary conditions and fire hazards, and the cost and expense of such action taken by the Association shall be an Operating Expense.

M. Failure or Refusal of Lot Owners to Pay Individual Lot Assessments. Funds needed for Operating Expenses due to the failure or refusal of Contributing Lot Owners to pay the Assessments levied shall, themselves, be deemed to be Operating Expenses and properly the subject of an Assessment; provided, however, that any Assessment for any such sums so needed to make up a deficiency due to the failure of Lot Owners to pay a Special Assessment shall, itself, be deemed to be a Special Assessment.

N. Extraordinary Items. Extraordinary items of expense under this Declaration such as expenses due to casualty losses and other extraordinary circumstances shall be the subject of a Special Assessment.

O. Costs of Reserves. The funds necessary to establish an adequate reserve fund ("Reserves") for periodic maintenance, repair, and replacement of the Association Property and the facilities and Improvements thereupon in amounts determined sufficient and appropriate by the Board from time to time shall be an Operating Expense. Reserves shall be deposited in a separate account to provide such funds and reserves. The monies collected by the Association on account of Reserves shall be and shall remain the exclusive property of the Association and no Lot Owner shall have any interest, claim or right to such Reserves or any fund composed of same.

P. Miscellaneous Expenses. The cost of all items or costs or expenses pertaining to or for the benefit of the Association, the Association Property or the Lots, or any part thereof, not herein specifically enumerated and which is determined to be an appropriate item of Operating Expense by the Board shall be an Operating Expense.

ARTICLE VII INSURANCE AND CONDEMNATION

The Association shall purchase and maintain the following insurance coverage subject to the following provisions, and the cost of the premiums therefor shall be a part of the Operating Expenses:

A. Casualty Insurance. Property and casualty insurance in an amount equal to the then full replacement cost, exclusive of land, foundation, excavation and other items normally excluded from such coverage, of all Improvements and personal property which is owned, or to be owned, by the Association and now or hereafter located upon the Association Property, which insurance shall afford protection against such risks, if any, as shall customarily be covered with respect to areas similar to the Association

Property in developments similar to Vineyard Square in construction, location and use. The Association shall have no obligation to provide or obtain property and casualty insurance on the Dwelling Units or any portion thereof, but shall have the right, at its sole option, to obtain a blanket property damage and casualty insurance policy covering the Dwelling Units as provided in Section G.

B. Public Liability Insurance. A comprehensive policy of public liability insurance naming the Association and, until Declarant's ownership of Lots within the Property ceases, Declarant, as named insureds thereof insuring against any and all claims or demands made by any person or persons whomsoever for injuries received in connection with, or arising from, the operation, maintenance and use of the Association Property and any improvements located thereon, and for any other risks insured against by such policies with limits of not less than One Million Dollars (\$1,000,000) for damages incurred or claimed by any one person for any one occurrence; not less than One Million Dollars (\$1,000,000) for damages incurred or claimed for any one occurrence; and for not less than Fifty Thousand Dollars (\$50,000) property damage per occurrence with no separate limits stated for the number of claims.

C. Fidelity Coverage. Adequate fidelity coverage to protect against dishonest acts of the officers and employees of the Association and the Directors and all other who handle and are responsible for handling funds of the Association shall be maintained in the form of fidelity bonds, which requirements shall be reasonably determined by the Board.

D. Other Insurance. Such other forms of insurance and in such coverage amounts as the Association shall determine to be required or beneficial for the protection or preservation of the Association Property and any Improvements now or hereafter located thereon or in the best interests of the Association, including if applicable, any "blanket coverage" property damage or casualty insurance that the Association elects to provide and maintain for the Dwelling Units, as provided in Section G below.

E. Cancellation or Modification. All insurance policies purchased by the Association shall provide that they may not be canceled (including for nonpayment of premiums) or substantially modified without at least ten (10) days prior written notice to the Association and to each first mortgage holder named in the mortgage clause.

F. Condemnation. In the event the Association receives any award or payment arising from the taking of any Association Property owned in fee or any part thereof as a result of the exercise of the right of condemnation or eminent domain, the net proceeds thereof shall first be applied to the restoration of such taken areas and improvements thereon to the extent deemed advisable by the Association and the remaining balance thereof, if any, shall be placed in a reserve fund of the Budget.

G. Property Damage and Casualty Insurance on the Dwelling Units. Each Owner shall maintain a property damage and casualty insurance or "hazard" insurance policy, with full replacement coverage, to protect against casualty damage to their Lot and Dwelling Unit. Each Owner shall provide a copy of such Owner's current hazard insurance policy, and all replacements and renewals thereof, to the Association. If an Owner fails or refuses to provide the Association with a copy of such insurance policy (or renewal or other reasonable evidence of the availability of current property damage and casualty insurance coverage on the Owner's Dwelling Unit) within thirty (30) days following the Association's written notice to provide such insurance policy or evidence, the Association shall have the right to obtain and purchase such insurance as required by this Section on behalf of such Owner. In such event, the costs incurred by the Association procuring such insurance, shall be assessed against the applicable Owner as an

Individual Expense Assessment levied against the Owner's Lot. Additionally, the Association shall have the right (but not the obligation), at its sole option, to procure or maintain a "blanket" property damage and casualty or "hazard" insurance policy on all of the Dwelling Units (or a portion or portions of all of the Dwelling Units) for the purpose of providing additional protection against casualty damage to multiple Dwelling Units, which blanket insurance (if any) shall be secondary to the insurance maintained by the Owners on the Dwelling Units.

H. Planned Community Act. The insurance maintained by the Association and the application, allocation or distribution of the proceeds thereof shall be subject to Section 47F-113 of the Planned Community Act and any other applicable terms and provisions of the Planned Community Act.

ARTICLE VIII
EASEMENTS

A. Recognition of Existing Easements. Each Owner, by acceptance of a deed or other instrument of conveyance, recognizes and consents to the easements reserved and/or granted with respect to the Property under this Declaration.

B. Grant and Reservation of Easements. Declarant hereby reserves and grants the following perpetual easements over and across the Property as covenants running with the Property for the benefit of the Owners, the Association, Declarant and any other parties identified in this Section B of Article VIII for the following purposes:

1. Utility and Services Easements. Easements in favor of governmental and quasi-governmental authorities, utility companies, telecommunications companies, cable television companies, ambulance or emergency vehicle companies, garbage collection, and mail carrier companies, over and across all roads existing from time to time within the Property, and over, under, on and across the Association Property, as may be reasonably required to permit the foregoing, and their agents and employees, to provide their respective authorized services to and for the Property. Also, easements as may be allowed over, under, on and across Association Property for the installation, maintenance, repair and providing of utility services, equipment and fixtures in order to adequately serve the Property including, but not limited to, electricity, telephones, sewer, water, lighting, irrigation, drainage, television antenna and cable television facilities, and electronic security. However, such easements affecting title to any Lot which serve any other portion of the Property shall only be subsurface, and they shall only be for utility services actually constructed, or reconstructed, and for the maintenance thereof, unless otherwise approved in writing by the Owner of the Lot. An Owner shall do nothing on his Lot which interferes with or impairs the utility services using these easements. The Board or its designee shall have a right of access to each Lot to inspect, maintain, repair or replace the utility service facilities contained under the Lot and to remove any improvements interfering with or impairing the utility services or easement herein reserved; provided such right of access shall not unreasonably interfere with the Owner's permitted use of the Lot.

2. Easement for Encroachment. If (i) any Improvements which are constructed as Association Property or upon Association Property, or (ii) any Improvements constructed upon a Lot, encroach upon a Lot because of the placement, construction, reconstruction, repair, movement, settling or shifting of such Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of this Declaration, an easement for the encroachment and for its maintenance shall exist so long as the encroachment remains, provided, however, that in no event shall such an easement exist for willful encroachments. If any Lot Improvement encroaches upon the

Association Property as a result of construction, reconstruction, repair, shifting, settlement or movement of the subject Lot Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of this Declaration, an easement for the encroachment and for its maintenance shall exist so long as the encroachment remains.

3. Easement to Enter Upon Lots. An easement or easements for ingress and egress in favor of Declarant, the Committee, the Association, including the Board or the designee of the Board, to enter upon the Lots for the purposes of inspecting any construction, proposed construction of Improvements, or fulfilling its duties and responsibilities of ownership, maintenance and/or repair in accordance with the Association Documents, including the making of such repairs, maintenance or reconstruction as are necessary for the Association Property. Specifically, Declarant shall have the right to enter upon a Lot for the purpose of performing periodic inspections of the structural portions of the Dwelling Unit on such Lot and the exterior portions of the building in which the Dwelling Unit is located. Also specifically, Declarant, the Association and the applicable Governmental Authorities shall have the right to enter upon a Lot for performing annual inspections of the fire protection equipment installed within the Dwelling Unit or upon the Lot, as provided in Section D.2 of Article IX.

4. Easement Over Association Property. An easement of use and enjoyment in favor of all Owners, their family members, guests, invitees and lessees in and to the Association Property which shall be appurtenant to and shall pass with title to every Lot, subject to the following:

i. the right of the Association to suspend the voting rights and rights to use the Association Property of any Owner for any period during which Assessments against his Lot(s) remain unpaid;

ii. the right of the Association to grant permits, licenses and easements over the Association Property for utilities and other purposes reasonably necessary or useful for the proper maintenance or operating of the Property; and

iii. all provisions set forth in the Association Documents.

5. Drainage and Irrigation Easement; Storm Water Control Maintenance Easement. An easement for drainage, flowage and irrigation over, under and upon the Property in favor of the Association and each of the Owners including, but not limited to, reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate, replace, and repair the Storm Water Management System and to maintain and correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil or take any other similar action that Declarant or the Association deem reasonably necessary or appropriate. After such action has been completed, Declarant or the Association shall grade and seed the affected property and otherwise restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. Declarant or the Association shall give reasonable notice of its intent to take such action to all affected Owners.

6. Sale and Development Easement. Declarant reserves and shall have an easement over, upon, across and under the Property as may be reasonably required in connection with the development, construction, sale and promotion, or leasing, of any Lot or Dwelling Unit within the Property or within any other property owned by Declarant, provided that no such easement shall be located within or upon any Dwelling Unit and shall not materially adversely impair or diminish any Owner's use or enjoyment of such Owner's Lot or Dwelling Unit.

7. Landscape Area, Entryway Area, and Signage Area Easement. An easement for the installation, maintenance, repair, and replacement of any entry monument, sign, landscaping, or other facilities located in the Landscape Areas, Entryway Areas, and Signage Areas is reserved in favor of Declarant and the Association over, upon, across and under the Landscape Areas, Entryway Areas, and Signage Areas.

8. Maintenance Easements. If any Dwelling Unit is located closer than five (5) feet from its Lot line, the Owner of said Lot shall have a perpetual access easement over the adjoining Lot to repair, maintain, perform, paint or reconstruct his Dwelling Unit. Within said easement area no fence or vegetation shall be located.

9. Blanket Easement. An easement is hereby reserved in favor Declarant and the Association over the Lots and Association Property for the installation, operation, inspection and maintenance of landscaping, a common cable television system, a common sprinkler system, a common fire protection system, entrance sign or features, or any other item for the common enjoyment and benefit of the Owners. No Owner shall damage, destroy, alter or otherwise disrupt any of such items so installed. Each Owner shall hold the Association and/or Declarant harmless from the cost of repairing or replacing any of such items which are damaged or destroyed the acts of such Owner, his family, his guests or invitees.

10. Easement for Adjacent Development Property. A portion of the Property is located on the opposite side of Weaver Dairy Road from certain real property located east of the Town Recreation Land, north of Homestead Road, and west of the Weaver Dairy Road Right of Way (the "Adjacent Development Property". Declarant hereby grants and reserves an easement over and upon the Open Space Area located east of Weaver Dairy Road, southeast of "Street A", and west of "Street G" (as delineated on the Site Plan) for the benefit of the Adjacent Development Property for drainage, and storm water detention and retention. Such easement shall include, but not limited to, reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate, replace, and repair storm water control improvements and facilities. Such rights expressly include the right to excavate soil to create a storm water detention or retention area, cut any trees, bushes or shrubbery, make any gradings of the soil, or take any other similar action that Declarant or the Board deems to be reasonable and necessary for the development of the Adjacent Development Parcel.

11. Common Parking Space Easement. An easement for parking, maintenance, repair, and replacement of any Common Parking Space is reserved in favor of Declarant, the Association, and the Owners, over, upon, across and under the Common Parking Spaces, including the portions thereof located upon a Lot, subject to the Encroachment Agreement.

12. Easement for Roadway Areas on Lots. If Declarant records any Final Plats that show those portions of the Property from which the Lots shall be derived as "blocks" of land designated for the construction of future Dwelling Units, then the boundary of those "blocks" may thereafter be adjusted upon the completion of the Dwelling Units therein and designated on an "as-built" Final Plat of the Lots. Any such initial Final Plats showing "blocks" may also show an overlap of the "blocks" of land and the internal Roadways of the Project. When the "as-built" Final Plats are recorded and the boundaries of the Lots are established, any such overlap shown on a previous Final Plat (if applicable) shall be eliminated so that (except for unintentional encroachments permitted pursuant to Section 2 of this Article VIII) no part of a Roadway will be located within the boundaries of a Lot. To the extent that any portion of a Roadway, including any sidewalk, is located within the boundaries of a Lot (as

reflected on a Final Plat recorded prior to the completion of the Dwelling Units on such Lots), the affected Lot shall be subject to an easement for ingress, egress and roadway purposes over the applicable portion of the Roadway on such Lot for the benefit of Declarant, the Association and the Owners, and their respective family members, guests, lessees and invitees. Declarant, the Association, the Town, and their respective employees, agents, contractors, subcontractors and invitees, shall have an easement for the installation, maintenance, repair, and replacement of any Improvements installed or to be installed upon or within any Roadway or Right of Way as temporarily located within the boundaries of a Lot.

13. Easement for Electric Company Access. Declarant reserves the right to establish an easement over the Property and enter into an agreement with Duke Power Company, or any other applicable utility company providing electrical service to the Project, for the installation of underground electric cables and/or the installation of street lighting which may require an initial payment and/or continuing monthly payments to be made by the Owners or by the Association to the applicable utility provider. A portion of the costs related to the maintenance and operation of the street lights in the Project shall be paid by the Association as provided in Section D.9 of Article II and Section B of Article VI.

14. Additional Easements. Declarant (until the Turnover Date) and the Association, on their behalf and on behalf of all Owners, each shall have the right to (i) grant and declare additional easements over, upon, under and/or across the Association Property in favor of Declarant or any person, entity, public or quasi-public authority or utility company, or (ii) with the consent of the applicable party affected by any easement benefiting the Property or the party who acquired or is benefited by any easement affecting the Property (as applicable), modify, relocate, abandon or terminate existing easements benefiting or affecting the Property. In connection with the grant, modification, relocation, abandonment or termination of any easement, Declarant reserves the right to relocate roads, parking areas, utility lines, and other improvements upon or serving the Property. So long as the foregoing will not unreasonably and adversely interfere with the use of Lots for dwelling purposes, no consent of any Owner or any mortgagee of any Lot shall be required or, if same would unreasonably and adversely interfere with the use of any Lot for dwelling purposes, only the consent of the Owners and Institutional Mortgagees so affected shall be required. To the extent required, all Owners hereby irrevocably appoint Declarant and/or the Association as their attorney-in-fact for the foregoing purposes.

C. Assignments. The easements reserved hereunder may be assigned by Declarant or the Association in whole or in part to any Town, County or state government or agency thereof, or any duly licensed or franchised public utility, or any other designee of Declarant. The Owners hereby authorize Declarant and/or the Association to execute, on their behalf and without further authorization, such grants of easement or other instruments as may from time to time be necessary to grant easements over and upon the Property or portions thereof in accordance with the provisions of this Declaration.

All easement rights reserved or granted to Declarant shall terminate upon Declarant no longer owning any Lots, Dwelling Units or interests in such on the Property for sale in the ordinary course of business. In addition, the easement rights granted or reserved by Declarant hereunder are not to be construed as creating an affirmative obligation to act on the part of Declarant.

ARTICLE IX
MAINTENANCE AND REPAIR

A. By the Association.

1. Association Property. Except as otherwise specifically set forth herein, the Association shall repair, maintain and replace any and all Improvements located on the Association Property commencing with the completion of same by Declarant and the availability of such Improvements for use by the Association, regardless of when such Improvements are actually conveyed to the Association. It is the purpose of this provision to provide that the Association will be responsible for all maintenance, operation, and repair of Association Property when Improvements thereto have been completed, notwithstanding the fact that Declarant has not yet conveyed such Association Property or the Improvements thereon to the Association. The improvements shall be maintained in the same condition as originally constructed by Declarant. In the event of any damage or destruction to the Association Property or to the improvements and facilities located thereon by fire, storms, acts of God, acts of government, acts of third parties or other calamity, the Association shall be required to rebuild such improvements and facilities as quickly as practicable.

2. Yard Improvements and Irrigation. The Association shall be responsible for maintaining the grass, plants, shrubs, trees, and landscaping, (hereinafter the "Yard Improvements") on the Lots installed by the Declarant or the Association, including irrigating and watering the Yard Improvements on the Lots by a master irrigation system installed by Declarant for the purpose of providing water and irrigation for the landscaped portions of the Association Property and the Yard Improvements on the Lots. The Association shall also maintain any Yard Improvements installed by an Owner with prior approval by affirmative vote of a majority of the Members of each Class, and prior written consent of the Association (but only to the extent that such consent specifically provides that the Association will maintain such added landscaping), provided, however, that: (i) the Association shall not be responsible for maintaining any fence installed on any Lot or any Yard Improvements inside of such fence installed; (ii) the Association's obligation to maintain shall not include the obligation to replace any plant, shrub or tree for any reason; and (iii) the Association shall not be responsible for repair or replacement of any Yard Improvements when such repair or replacement is necessitated by work done by or at the request of any Owner or any utility company or governmental authority.

3. Trash and Recycling Collection and Removal. The Town will not provide trash or recycling collection and removal services to the Property unless and until the Association complies with the requirements of the Town ordinances for public bulk refuse collection services, including the construction and installation of additional bulk refuse and recycling collection facilities within the Future Receptacle Areas shown on the Site Plan or applicable construction plan approved by the Town. The Association is responsible for providing private trash and recycling collection and removal services for the Project by maintaining a contract (or contracts) with one or more private waste management service providers. The contract maintained by the Association for private recycling services shall require private recycling services for the Project that are equivalent to the recycling services provided by the County in the County's multi-family recycling program, as to the type of materials recycled and the frequency at which the materials are collected. The expenses incurred by the Association in providing this service are an Operating Expense specifically identified in Section D of Article VI. If the Association is dissolved without there being a successor association or other entity that assumes the obligations of the Association, then each Owner shall be obligated to obtain private trash collection and removal for such Owner's Lot and Dwelling Unit at the Owner's expense.

The provisions of this Section cannot be amended to release the Association and the Owners from the obligation to provide private trash collection service, without (i) the Owners owning or, in the case of Lots on which an Affordable Dwelling Unit is located, leasing, at least ninety percent (90%) of all Lots approving all actions and expenses required of the Association to satisfy the requirements and conditions of the Town for providing public trash removal service to the Project (including, but not limited to, the construction and installation of additional trash and recycling collection facilities and equipment within the Future Receptacle Areas, (ii) until Declarant no longer owns any portion of the Property, the approval of Declarant, and (iii) the approval of the Town.

4. Fire Protection System. The Association is responsible for the operation, maintenance and repair of the various components of the Fire Protection System for the Project, which include the fire protection equipment installed within a Dwelling Unit or upon a Lot. The Association, Declarant and the applicable Governmental Authorities have the right to perform annual inspections of the fire protection equipment installed within a Dwelling Unit or upon a Lot, as provided in Section D.2 below.

5. Limitation on Association Responsibility. Except as specifically provided for in this Article IX, the Association shall have no responsibility to maintain or repair any Dwelling Unit or any portion thereof or for insuring any Dwelling Unit or other improvements on any Lot, and shall not be liable for any damage to any Dwelling Unit, except such damage caused by the Association, its duly authorized agents or employees.

The Association shall have the right, but not the obligation, by the affirmative vote of a majority of the Members of each Class, to accept certain items, areas or improvements on a Lot for maintenance by the Association, including, but not limited to, Yard Improvements installed by an Owner. Such acceptance shall be in writing and may be subject to such terms and conditions, including, but not limited to, a special assessment or increased annual assessment for that Lot, as the Association might establish in such written acceptance.

B. By the Lot Owners.

1. Dwelling Units and Lots. Any maintenance on a Lot that is not the responsibility of the Association, whether by the terms of this Declaration or by written acceptance of same, shall be the responsibility of the Owner of such Lot. Such maintenance by an Owner shall include, but not be limited to, the repair, maintenance and replacement of the driveway upon the Lot, Yard Improvements which are specifically excluded by the provisions of Section A.2 of this Article IX, maintenance and repair (including painting) of the roof, exterior walls and windows of the Dwelling Unit located on such Lot. Each Owner shall keep his Lot and Dwelling Unit in an orderly condition and shall keep the improvements thereon in a suitable state of repair. If an Owner does not perform exterior maintenance of his Lot and Dwelling Unit, the Association shall have the right (but not the obligation), through its agents and employees, by the affirmative vote of not less than two-thirds (2/3) of the Board of Directors, to enter upon such Lot and to repair, maintain and restore the Lot or exterior of the Dwelling Unit erected thereon, and the cost of such exterior maintenance, plus a surcharge of 15% for administration, shall be assessed as an Individual Expense Assessment in accordance with Section D of Article V. Prior to such entry, the Association shall give written notice to the Owner stating: (i) the specific item(s) needing maintenance; (ii) the corrective action to be taken; (iii) a time, not less than 60 calendar days from the date of the notice, in which the Owner is to perform the necessary maintenance; and (iv) a statement that, if the Owner fails to perform the maintenance within such time period, the Association will exercise its right to perform the maintenance and that the Owner will be assessed with the costs thereof as provided in this Article IX.

C. Party Walls. Each wall which is built as a part of the original construction of a Dwelling Unit and placed on the dividing line between the Lots and all reconstruction or extensions of such walls shall constitute party walls. To the extent not inconsistent with the provisions of this Section C.2 of this Article IX, the general rules of law regarding party walls, lateral support, in-below ground construction and of liability for property damage due to negligence or willful acts or omissions shall apply.

1. The Owners of contiguous Lots who share a party wall shall both equally have the right to use such wall, provided that such use by one Owner does not interfere with the use and enjoyment of the party wall by the other Owner.

2. The following provisions shall apply to all party walls constructed in the Project: (i) The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use; (ii) If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it. If other Owners make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use; subject, however, to the right of any Owners to call for a larger contribution from the others under any rule of law regarding liability for negligence or willful acts or omissions; (iii) The Owner may construct or reconstruct a party wall subject to and within the limitations of architectural control and other limitations of this Declaration with the right to go upon the adjoining Lot to the extent reasonably necessary to perform the construction. The construction shall be done expeditiously. Upon completion of the construction, the Owner shall restore, as is reasonably practicable, the adjoining Lot to as near the same condition which prevailed on or before the commencement of the construction; (iv) The right of any Owner to contribution from any other Owner under this Section C.2 shall be appurtenant to the land and shall pass to the Owner's successors in title; and (v) If any Owner desires to sell his Dwelling Unit, he may, in order to assure a prospective purchaser that no adjoining Owner(s) has a right of contribution as provided in this Article, request that the adjoining Owner(s) provide a certification that no right of contribution exists. It shall be the duty of each adjoining Owner to make a certification as to whether there is any pending claim of contribution immediately upon request and without charge.

3. Any Owner proposing to modify, make additions to rebuild his Dwelling Unit in any manner which requires the alteration or disturbance of any party wall shall obtain the written consent of the adjoining Owner prior to commencing the applicable work. The provisions of this Article shall also apply to any fence, other barrier or shared Improvement between Lots which is installed by Declarant and to any replacement thereof authorized by the Committee. Otherwise the upkeep of any fence barrier or improvement shall be the responsibility of the Owner who had such item installed.

4. In the event of a dispute between Owner with respect to the repair or rebuilding of a party wall or other shared Improvement, then upon the written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board, who shall decide the dispute, and the decision of the Board shall be final and conclusive upon the Owners.

D. Inspections by Declarant and the Association.

1. Structural Inspections. Declarant shall have the right to perform periodic inspections of the structural Improvements located upon each Lot, including but not limited to, the roof, foundation, and exterior wall of the Dwelling Unit situated on the Lot. Declarant shall provide an Owner with reasonable advance notice of Declarant's intent to perform such inspection. Each Owner shall cooperate with Declarant as is reasonably necessary for Declarant to be able to complete an accurate and thorough

inspection of the structural components of such Owner's Unit. No Owner shall take any action that would disrupt, prevent or limit Declarant's ability to perform such inspection(s).

2. Fire Protection Inspections. Declarant, the Association and the applicable Governmental Authorities shall have the right to perform annual inspections of the fire protection equipment installed within a Dwelling Unit or upon a Lot, including but not limited to, the sprinkler heads, water lines, valves, and other components of the Fire Protection System located within a Dwelling Unit or upon a Lot. The inspecting party shall provide an Owner with reasonable advance notice of such party's intent to perform such inspection. Each Owner shall cooperate with the inspecting party as is reasonably necessary for the inspecting party to be able to complete an accurate and thorough inspection of the various components of the Fire Protection System located within such Owner's Dwelling Unit or on such Owner's Lot. No Owner shall take any action that would disrupt, prevent or limit the inspecting party's ability to perform such inspection(s).

ARTICLE X
ARCHITECTURAL CONTROL

A. Establishment. "Committee" shall mean the architectural control committee, which shall be the governing body charged with using its best efforts to promote and ensure a high level of design, quality, harmony and conformity throughout the Property consistent with this Declaration. Until the Termination of Declarant Control, referred to below, Declarant shall constitute the Committee, and may approve Plans and Submissions or take other actions on behalf of the Committee in Declarant's own name or in the name of the Committee. After the Termination of Declarant Control, the Committee shall be composed of at least three (3) individuals appointed by the Board, each of which shall be an Owner. The Committee shall act by simple majority vote. In the event of death, resignation or other removal of any Board appointed member of the Committee, the Board shall appoint a successor member. No member of the Committee shall be entitled to compensation for, or be liable for claims, causes of action or damages arising out of services performed pursuant to this Declaration. Declarant shall cease to control and constitute the Committee on the earlier of: (a) the date on which Declarant records in the Public Records a document declaring the termination of its control of the Committee, or (b) at such time as Declarant no longer owns a Lot within the Property, or (c) the date which is seven (7) years following the date this Declaration is first recorded in the public land records (which may be referred to in this Declaration as "Termination of Declarant Control").

B. Purpose of the Committee. The Committee is established to provide a system of review for the construction or modification of all Improvements within the Property. No Improvement shall be commenced, improved or altered, nor shall any grading, excavation or change of exterior color or other work which in any way alters the exterior appearance of an Improvement be done without the prior written approval of the Committee.

C. Development Standards. The Committee is empowered to publish or modify from time to time, design and development standards for the Property, including, but not limited to, standards for the following ("Standards"): (i) architectural design of Improvements, including, but not limited to, design standards for any Dwelling Unit or other Improvement constructed upon a Lot; (ii) fences, walls and similar structures; (iii) exterior building materials and colors; (iv) exterior appurtenances relating to utility installation; (v) signs and graphics, mailboxes, satellite dishes and exterior lighting; (vi) decks, pools and pool decks, side yards and related height bulk and design criteria; (vii) pedestrian and bicycle ways,

sidewalks and pathways; and (viii) all buildings, landscaping and Improvements on lands owned or controlled by the Association. After Termination of Declarant Control, a copy of any Standards promulgated by the Committee shall be subject to approval by the Board. A copy of the Standards will be made available to all Members. The Owners shall adhere and comply with all Standards Promulgated by the Committee with respect to all Improvement and items to which such Standards apply.

D. Requirement of Committee Approval. No Improvement of any kind shall be erected, placed or maintained, and no addition, alteration, modification or change to any Improvement shall be made without the prior written approval of the Committee. For purposes of this Declaration, Declarant Improvements means any Improvement erected, placed, or maintained with the approval of Declarant, including, without limitation, any building, wall, fence, swimming pool, or screened enclosure, constructed, installed or placed by or with the approval of Declarant prior to the Termination of Declarant Control (collectively, "Declarant Improvements"). Notwithstanding anything to the contrary contained above, Declarant Improvements are not subject to the approval of the Committee and are deemed to conform to the plan of development for the Property.

E. Obtaining Committee Approval. In order to obtain the approval of the Committee, a complete set of plans and specifications ("Plans") for proposed Improvements shall be submitted to the Committee for its review. The Plans shall include, as appropriate, the proposed location, grade, elevations, shape, dimensions, exterior color plans, approximate costs, and nature, type and color of materials to be used. The Committee may also require the submission of additional information and materials as may be reasonably necessary for the Committee to evaluate the proposed Improvement or alteration ("Submissions"). The Committee shall have the right to refuse to approve any proposed Plans that, in its sole discretion, are not suitable or desirable. Any and all approvals or disapprovals of the Committee shall be in writing and shall be sent to each respective Owner submitting the applicable Plans and Submissions. In the event the Committee fails to approve or to disapprove in writing any Plans and/or Submissions after: (i) submission to the Committee of the last item of the Plans and Submissions requested by the Committee, so that the Committee has a complete package of all Plans and Submissions requested by the Committee; and (ii) thirty (30) days have elapsed since submission and written request for approval or disapproval was delivered to the Committee by the Owner; then said Plans and Submissions shall be deemed to have been approved by the Committee provided, however, that no Improvement shall be erected or shall be allowed to remain which violates any conditions or restrictions contained in this Declaration, or which violates any applicable zoning or building ordinance or regulation. The approval by the Committee relates only to the aesthetics of the Improvements shown on the Plans and Submissions and not to their sufficiency or adequacy. Each Owner shall be responsible for obtaining all necessary technical data and to make application to and obtain the approval of the appropriate governmental agencies prior to commencement of any construction.

F. Scope of Review. The Committee shall review and approve or disapprove all Plans and Submissions solely on the basis of aesthetic standards as to the aesthetic quality of materials and workmanship to be used, suitability and harmony of location, structure and external design in relation to surrounding topography and structures and the overall benefit or detriment which would result to the immediate vicinity and to the Property as a whole and any other factors deemed relevant to the review by the Committee in its opinion, reasonably exercised. The Committee shall take into consideration the aesthetic aspects of the architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features, and shall not be responsible for reviewing, nor shall its approval of any

Plans be deemed approval of, any design or plan from the standpoint of structural safety or conformance with building or other codes.

G. Variance from Standards. The Committee may authorize, in a reasonable manner so as not to destroy the general scheme or plans of the development of the Property, variances from compliance with any Standards which it has promulgated pursuant to its authority when circumstances such as topography, natural obstructions, hardship, aesthetics or environmental considerations may require. If any such variances are granted, no violation of the restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose, except as to that particular property and particular provision hereof or Standards promulgated hereby which are covered by the variance. Such variance shall be evidenced in writing.

H. Enforcement. There is specifically reserved unto the Committee the right of entry and inspection upon any Lot or other portion of the Property for the purpose of determination by the Committee whether there exists any Improvement which violates the terms of any approval by the Committee or the terms of this Declaration. Except in emergencies, any exercise of the right of entry and inspection by the Committee hereunder should be made only upon reasonable notice given to the Owner of record at least twenty-four (24) hours in advance of such entry. The Association, acting pursuant to the direction of the Committee, is specifically empowered to enforce the provisions of this Declaration by any legal or equitable remedy, and in the event it becomes necessary to resort to litigation to determine the propriety of any Improvement, or to remove any unapproved Improvements, the prevailing party in such litigation shall be entitled to recover all Legal Fees incurred in connection therewith. The Association shall indemnify and hold harmless any member of the Committee from all costs, expenses and liabilities, including attorneys fees incurred by virtue of any member's service as a member of the Committee, provided such member acted in good faith and without malice.

I. Subcommittees and Delegation of Authority. The Committee may establish subcommittees for the purpose of acting on behalf of the Committee with respect to similar circumstances, situations, or types of Improvements, such as a swimming pool subcommittee or a subcommittee which would deal with modifications of existing Improvements or additional new Improvements ancillary to an existing Dwelling Unit, in contrast to the construction of initial Improvements upon a previously unimproved Lot. All rights and powers of the Committee may be delegated to such subcommittee with regard to the subject matter of the subcommittee. The rights and powers of the Committee may be assigned to a management company, an architect, design professional or other entity, or any portion of such rights and powers applicable to a particular subcommittee or area of similar circumstance.

J. Approval of OCHLT for Affordable Dwelling Units. Notwithstanding the requirement for the Committee's approval of all proposed Improvements pursuant to this Article X, the Committee shall have no obligation to verify whether or not the Plans and Submissions for Improvements to an Affordable Dwelling Unit or the Lot upon which an ADU is situated, comply with the requirements of OCHLT or the ground lease between any ADU Owner and OCHLT. Prior to the Committee's consideration for approval or disapproval of the Plans and Submissions for any proposed Improvement(s) to an Affordable Dwelling Unit or the Lot upon which the ADU is situated, the applicable ADU Owner shall first obtain the written approval of the Plans and Submissions for any such Improvement(s) by OCHLT. The procedures and requirements for obtaining the approval of OCHLT are set forth in the ground lease or are otherwise dictated and controlled by OCHLT, and are separate and apart from, the procedures and requirements set

forth in this Article X. The Plans and Submissions submitted to the Committee by an ADU Owner proposing to make Improvements to such ADU Owner's Affordable Dwelling Unit or Lot, shall include written evidence of the approval of the applicable Plans and Submissions by OCHLT.

ARTICLE XI
USE RESTRICTIONS

For purposes of this Article XI, unless the context otherwise requires, Owner shall also include the family, invitees, guests, licensees, lessees and sublessees of any Owner, and any other permitted occupants of a Dwelling Unit. All the Property shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant in Section DD of this Article XI and if applicable, subject to any modifications set forth in a Supplement pertaining to any Additional Property.

A. Residential Use. The Dwelling Units shall be for single family residential use only. No commercial occupation or activity may be carried on in Vineyard Square without the consent of the Board except such occupation or activities permitted to be carried on by Declarant under this Declaration, and except such activities permitted in Section B of this Article XI. In addition, temporary guests are permitted so long as they do not create an unreasonable source of noise or annoyance to the other residents of the Property. No more than one Dwelling Unit may be built on one Lot.

B. Non-Residential Activities or Uses. No trade, business, profession or commercial activity, or any other non residential use shall be conducted on the Property or within any Lot or Dwelling Unit without the consent of the Board except that an Owner or occupant residing in a Dwelling Unit may conduct business activities within the Dwelling Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Dwelling Unit; (ii) the business activity conforms to all zoning requirements for the Property; (iii) the business activity does not involve door-to-door solicitation of residents noticeably greater than that which is typical of Dwelling Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of the Project, and does not constitute a nuisance, a hazardous or offensive use, or a threat to the security or safety of others, of the Project; (iv) the business activity does not, in the Board's judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Project which is as the Board determines in its sole discretion. The foregoing limitations shall not preclude occasional garage sales, moving sales, rummage sales, or similar activities, provided that such activities may not be held on any one Lot more than once in any three-month period and, when held, may not exceed three consecutive days in duration. The foregoing shall not prohibit an Owner from leasing his Dwelling Unit.

C. Nuisances. No obnoxious or offensive activity shall be carried on about the Lots or in or about any improvements, Dwelling Units, or on any portion of Vineyard Square nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any Owner. No use or practice shall be allowed in or around the Dwelling Units which is a source of annoyance to Owners or occupants of Dwelling Units or which interferes with the peaceful possession or proper use of the Dwelling Units or the surrounding areas. No trade, business, profession or commercial activity, or any other non residential use shall be conducted on the Property or within any Lot or Dwelling Unit without the consent of the Board. With the exception of the Affordable Dwelling Units as set forth in Article XII, the foregoing shall not prohibit an Owner from leasing his Dwelling Unit. No loud noises or noxious odors shall be permitted in any improvements, Dwelling Units or Lots. Without limiting the generality of any of

the foregoing provisions, no horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment of large power tools, unlicensed off-road motor vehicles or any items which may unreasonably interfere with television or radio reception of any Owner shall be located, used or placed on any Lot, or exposed to the view of other Owners without the prior written approval of the Board and/or the Committee, if required.

D. Outside Storage of Personal Property. The personal property of any Owner shall be kept inside the Owner's Dwelling Unit, except for patio furniture and accessories, and other personal property commonly kept outside, which must be kept in the rear of the Lot and must be neat appearing and in good conditions.

E. Parking and Vehicular Restrictions. Declarant shall provide at least the minimum number of parking spaces required by the Town for the Project. The Owner of each Lot shall be responsible for the maintenance of any parking space(s) located on their Lot, with the exception of any portion of a Common Parking Space that may be located on a Lot. The Owner of each Lot shall provide the Association with the make, model, color and license plate number of each vehicle owned or normally driven by the Owner and his family, any person regularly residing with the Owner, and/or any lessee or sublessee of such Owner. The Association shall be responsible for the maintenance of any Common Parking Spaces for the Project, including the portions thereof located on a Lot (if any).

Except for vehicles belonging to the Owners of the Affordable Dwelling Units, vehicles may be parked or stored only on portions of a Lot improved for that purpose, i.e., garage, driveway, carport or parking pad. No unenclosed parking shall be constructed or maintained on any Lot except a paved driveway and an attached paved parking pad, which pad shall be designed for the parking of not more than 2 vehicles. Any driveway or parking pad constructed upon any Lot shall have either an asphaltic concrete surface, a cement concrete surface, or brick pavers.

No mobile house trailer (whether on or off wheels), vehicle or enclosed body of the type which may be placed on or attached to a vehicle (known generally as "campers"), or commercial vehicle of any kind shall be parked on the street within the Project, nor shall any such vehicle be parked or kept on any Lot. Furthermore, no boat or boat trailer shall be parked on the street within the Project. No tractor trailer trucks or cabs shall be parked on any street or Lot within the Project.

No vehicle of any type which is abandoned or inoperative shall be stored or kept on any Lot in such manner as to be seen from any other Lot, any street within the Project or any Open Space Area and no automobiles or mechanical equipment may be dismantled or allowed to accumulate on any Lot.

The Board shall have the right and authority to make, implement and enforce such additional parking rules and regulations as it might determine from time to time necessary or appropriate, and shall have the right and authority to enforce same, including, but not limited to, the right to levy fines for violations thereof. Furthermore, the Association shall have the right and authority to have towed any vehicle parked or maintained in violation of these or subsequently-adopted parking rules and regulations, the cost of which towing and storage shall be the responsibility of the Owner of the Lot to which such vehicle is registered.

F. No Improper Uses. No improper, offensive, hazardous or unlawful use shall be made of any Dwelling Unit nor shall anything be done thereon tending to cause embarrassment, discomfort,

annoyance or nuisance to any person using any portion of the Property. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction over the Property shall be observed. Violations of laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction over the Property, relating to any Dwelling Unit shall be corrected by, and at the sole expense of the Owner of the Dwelling Unit.

G. Trash and Other Materials. Each Owner shall regularly pick up all garbage, trash, refuse or rubbish on his Lot, and no Owner or resident shall place or dump any garbage, trash, refuse, rubbish or other materials on any other portions of the Property, except within the containers and receptacles provided within the Waste Receptacle Area. Garbage, trash, refuse or rubbish that is required and permitted to be placed at the front of the Lot in order to be collected may be placed and kept at the front of the Lot after 5:00 p.m. on the day before the scheduled day of collection, and any trash facilities must be removed on the collection day. All garbage, trash, refuse or rubbish must be placed in appropriate trash facilities or bags. All containers, dumpsters or garbage facilities belonging to an Owner shall be stored inside a Dwelling Unit. No noxious or offensive odors shall be permitted.

H. Leases. No portion of a Dwelling Unit (other than an entire Dwelling Unit) may be rented. No Affordable Dwelling Unit may be rented or leased. All leases must be in writing and shall provide that the Association shall have the right to terminate the lease upon default by the tenant in observing any of the provisions of this Declaration, the Articles, Bylaws, of applicable rules and regulations, or of any other agreement, document or instrument governing the Lots or Dwelling Units. The tenant must deliver a copy of the proposed lease to the Association prior to occupancy. No lease shall be for a period of less than six (6) months without the approval of the Board. The Owner of a leased Dwelling Unit shall be jointly and severally liable with his tenant to the Association to pay any claim for injury or damage to property caused by the negligence of the tenant. Every lease shall be subordinated to any lien filed by the Association whether before or after such lease was entered into.

With respect to any tenant or any person present in any Dwelling Unit or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Dwelling Unit, if such person shall materially violate any provision of this Declaration, the Articles, or the Bylaws, or shall create a nuisance or an unreasonable and continuous source of annoyance to the residents of the Property, or shall willfully damage or destroy any Association 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 tenant or compel the person to leave the Property and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have a lien for same as elsewhere provided. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Owner of a leased Dwelling Unit concurrently with any notices sent to the tenant of such Dwelling Unit pursuant to this Section H of Article XI, and such Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Owner's Dwelling Unit. The right of eviction provided for in this section shall be inserted in every lease, but the omissions from the lease agreement of such right shall not affect the right to evict as set forth herein.

I. Temporary Buildings and Accessory Buildings. No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed upon the Property except in

connection with construction, development, leasing or sales activities performed by Declarant. No temporary structure may be used as a Dwelling Unit. No garden shed, storage shed, out-building, accessory building or structure, or other permanent structures which are detached from the main structure of a Dwelling Unit shall be constructed or placed upon a Lot unless approved by the Committee in accordance with Article X.

J. Garages. No garage shall be permanently enclosed so as to make such garage unusable by an automobile, and no portion of a garage originally intended for the parking of an automobile shall be converted into a living space or storage space and no garage opening shall have a screen covering without the consent of the Committee. The foregoing shall not include any garages used or formerly used by Declarant as an office or other area in connection with the sale of Dwelling Units, which are Declarant Improvements and not subject to the restrictions in this Article XI. All garage doors shall remain closed when vehicles are not entering or leaving the garage.

K. Animals and Pets. Only common domesticated household pets may be kept on any Lot or in a Dwelling Unit, not to exceed a total of three (3) per Dwelling Unit with the prior consent of the Board but in no event for the purpose of breeding or for any commercial purposes whatsoever. No other animals, livestock, reptiles or poultry of any kind shall be kept, raised, bred or maintained on any portion of the Property. Permitted pets shall only be kept subject to and in accordance with such rules and regulations as shall be promulgated from time to time by the Board. Under no circumstances may a pit bull be permitted on the Property. Any pet must not be an unreasonable nuisance or annoyance to other residents on the Property. The Board may adopt rules and regulations concerning animals which are more restrictive than the provisions of this Declaration including rules requiring that all animals be kept on a leash when on the Association Property or outside a fenced yard and that animals be restricted to designated areas within the Association Property and that Owners are responsible for cleaning up any mess that a pet created within any Lot or the Association Property. The Board may require any pet to be immediately and permanently removed from the Property due to a violation of this Section.

Each Owner who determines to keep a pet thereby agrees to indemnify the Association and Declarant and hold them harmless against any loss or liability of any kind or character whatsoever arising from or growing out of his having any animal on the Property.

L. Additions and Alterations. No Dwelling Unit shall be enlarged by any addition thereto or to any part thereof, and no Owner shall make any improvement, addition, or alteration to the exterior of his Dwelling Unit, including, without limitation, the painting, staining, or varnishing of the exterior of the Dwelling Unit or re-roofing with shingles of a different color or material, without the prior written approval of the Committee, which approval may be withheld for purely aesthetic reasons. No Dwelling Unit shall be enlarged by any addition thereto or to any part thereof, and no Owner shall make any improvement, addition, or alteration to the exterior of his Dwelling Unit, without the prior written approval of the Committee, which approval may be withheld for purely aesthetic reasons. No Owner shall undertake the painting, staining, or varnishing of the exterior of the Dwelling Unit or re-roofing with shingles of a different color or material, or other wise make any Improvements or alterations to any portion of a Dwelling Unit without the prior written approval of the Committee. No Owner shall install any landscaping Improvements or undertake any landscaping activities without the prior written approval of the Committee.

M. Increase in Insurance Rates. No Owner may engage in any action that may reasonably be expected to result in an increase in the rate of any insurance policy or policies covering or with respect to any portion of the Property not owned by such Owner.

N. Air Conditioning Units; Oil and Gas Tanks. Only central air conditioning units are permitted, and no window, wall, or portable air conditioning units are permitted. All air conditioning units, oil tanks, and bottled gas tanks shall be underground or placed in walled-in or landscaped areas as approved by the Committee so that they shall be substantially concealed or hidden from any eye-level view from any street or adjacent property.

O. Clotheslines and outside Clothes Drying. No clotheslines or clothespoles shall be erected, and no outside clothes-drying is permitted, except where such activity is advised or mandated by governmental authorities for energy conservation purposes, in which event the Committee shall have the right to approve the portions of any Lot used for outdoor clothes-drying purposes and the types of devices to be employed in this regard, which approval must be in writing.

P. Outside Antennas, Satellite Dishes and Flag Poles. No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar apparatus or equipment unless: (i) such apparatus is two (2) feet or less in diameter, (ii) the apparatus is screened from public view and located behind the Dwelling Unit either in the rear yard or affixed to the rear roof, (iii) the apparatus is not visible while standing at any point along the property boundary line in front of the house that abuts or is adjacent to a street, right-of-way or sidewalk, and (iv) the Committee has approved the apparatus, its location and the type of screening.

Q. Signs. Except as otherwise required by the Town, no sign of any kind shall be displayed to the public view on any Lot except signs used by Declarant to advertise Lots and/or Dwellings for sale during the construction and sales period, one sign of not more than six (6) square feet advertising the property for sale, and signs of not more than six (6) square feet expressing support of or opposition to political candidates or other issues which will appear on the ballot of a primary, general or special election, provided that such political signs shall not be placed on a Lot earlier than sixty (60) days before such election and shall be removed within two (2) days after such election. No signs advertising a Lot or a Dwelling "for rent" or "for lease" shall be permitted on any Lot, with the exception of one sign not more than six (6) square feet located on the interior side of a window of the Dwelling Unit.

R. Window Treatments and Hurricane Shutters. Window treatments shall consist of drapery, blinds, decorative panels, or other tasteful window covering, and no newspaper, aluminum foil, sheets or other temporary window treatments are permitted, except for periods not exceeding one (1) week after an Owner or tenant first moves into a Dwelling Unit or when permanent window treatments are being cleaned or repaired.

Hurricane shutters are permitted as long as the prior approval of the Committee is obtained prior to the installation of the hurricane shutters.

S. Surface Water Management. No Owner or any other person shall do anything to adversely affect the surface water management and drainage of the Property, without the prior written approval of the Committee and any controlling governmental authority, including, but not limited to, the excavation or filling in of any Lot, provided the foregoing shall not be deemed to prohibit or restrict the initial

construction of Improvements upon the Property by Declarant in accordance with permits issued by controlling governmental authorities. In particular, no Owner shall install any landscaping or place any fill on the Owner's Lot which would adversely affect the drainage of any contiguous Dwelling Unit. No structures, trees or shrubs shall be placed on any drainage or utility easements or any other portion of the Storm Water Management System, except by Declarant, without the prior written consent of the Committee and the applicable governmental authorities and utility providers.

No Owner shall remove native vegetation that becomes established within any wetland areas, wetland buffer areas, or riparian buffer areas located on or adjacent to any portion of the Property. Removal includes dredging, the application of herbicide, and cutting. No Owner shall add or introduce additional vegetation or other forms of plantlife or landscaping within any wetland areas, wetland buffer areas, or riparian buffer areas located on or adjacent to any portion of the Property. Owners should address any question regarding authorized activities within any wetland areas, wetland buffer areas, or riparian buffer areas to the applicable governmental authorities. No Owner may construct or maintain any building, residence, or structure, or undertake or perform any activity in any wetland areas, buffer areas and any upland conservation areas without the prior approval of the Association and the applicable governmental authorities and utility providers.

T. Use of Pond(s). The Pond shall always be kept and maintained only as an area for water retention, drainage and water management purposes in compliance with the requirements set forth on Exhibit "D" and all applicable governmental and water management district requirements. The Owners are prohibited from using the Pond for recreational purposes, including swimming, boating, fishing or any other similar activity. With respect to those Lots which may abut the Pond, Lot Owners are prohibited from using the Pond for irrigation purposes. In addition, (a) no boat house, dock, building, landing, mooring pile, pier or ramps for boats or aircraft shall be erected on or adjoining any Lot; (b) no Lot shall be increased in size by filling in the water on which it abuts; (c) no boat canal or other waterways shall be dug or excavated into any Lot; and (d) no slope of waterfront abutting any Lot shall be altered in any manner whatsoever.

U. Swimming Pools. No swimming pools, spas, or the like, shall be installed or permitted on any Lot in the Project, except that small, inflatable wading pools shall be permitted.

V. Fences and Walls. All fences and non-retaining walls shall be located at or behind the rear corners of the Dwelling Unit. Privacy fencing shall be located inside the setback lines. No fence or wall shall be constructed in the front yard of any lot, except for fences erected in conjunction with model homes, sales offices or construction trailers. Except for any project entry monument, screening wall, retaining wall or fence installed by the Declarant which is expressly excluded from the restrictions in this Article XI, all fences proposed to be installed upon the Property require prior written consent of the Committee. Chain link or other similar metal fencing is expressly prohibited. Perimeter fencing and privacy fencing around patios or decks may not exceed six (6) feet in height. The types of fencing described in Exhibit "C" may be used. Security or safety fences at or enclosing public utilities are exempt from the guidelines.

W. Mailboxes. No mailboxes are permitted to be installed on any Lot. All mailboxes for the Dwelling Units shall be located in mail kiosks on Association Property, as indicated on the Site Plan.

X. Setbacks; Building Location. No Dwelling Unit shall be erected or maintained on any Lot outside of the building envelope shown on the applicable Final Plat or as otherwise required or permitted by the zoning ordinances of the Town. For purposes of these building setback requirements, decks, porches, patios, stoops, eaves, overhangs, bay windows, chimneys, and other similar projections shall be deemed to be part of the Dwelling Unit only to the extent that the same are deemed to be part of a dwelling unit under the zoning ordinances of the Town as it exists as of the date of issuance of a certificate of occupancy for such Dwelling Unit. Any Dwelling Unit erected on a Lot other than a corner Lot shall face the street on which the Lot abuts. On corner Lots, a Dwelling Unit may be erected so as to face the intersection of the 2 streets on which the Lot abuts.

Y. Septic Tanks; Wells. No septic tank shall be installed, used or maintained on any Lot. No well shall be installed, used or maintained on any Lot for human domestic water consumption, nor shall any well be connected in any manner whatsoever to the water mains, laterals and piping serving the Dwelling Unit, which mains furnish domestic water from sources beyond the boundaries of the Lot.

Z. Removal of Trees. Except in the case of an emergency situation that does not permit any delay, no living tree larger than 3 inches in diameter at a point measured 3 feet off the ground shall be removed from any Lot without the approval of the Committee. The foregoing provision shall apply only to Lots that have been occupied pursuant to a certificate of occupancy issued by the Town.

AA. Damage and Destruction. In the event any Improvement contiguous with a Dwelling Unit is damaged or destroyed by casualty or for any other reason, the Owner of the Dwelling Unit shall repair and restore the damaged Improvement as soon as is reasonably practical to the same condition that the Improvement was in prior to such damage or destruction, unless otherwise approved by the Committee.

BB. Subdivision and Partition. No Lot on the Property shall be subdivided without the Committee's prior written consent except by Declarant.

CC. Construction. All construction, landscaping or other work which has been commenced on any Lot shall be continued with reasonable diligence to completion and no partially completed Dwelling Unit or other Improvement shall be permitted to exist on any Lot, except during such reasonable time period as is necessary for completion. The Owner of each Lot shall at all times keep contiguous public streets free from any dirt, mud, garbage, trash or other debris resulting from any such construction on the subject Owner's Lot.

DD. Certain Rights of Declarant. The provisions, restrictions, terms and conditions of this Article XI shall not apply to Declarant as an Owner.

ARTICLE XII AFFORDABLE DWELLING UNITS

The Town Resolution requires that the Lots on which the Affordable Dwelling Units are located be subject to this Declaration and that the ADU Owners be Members of the Association. The provisions of this Article XII pertain to the Affordable Dwelling Units.

A. Ground Lease of the Lots. OCILT shall be the fee simple owner of the Lots on which the Affordable Dwelling Units are located. The ADU Owners will own the dwelling units located on the Lots

owned by OCHLT and will lease the Lots pursuant to a ground lease with OCHLT. ADU Owners shall occupy their Affordable Dwelling Units and Lots according to the terms of their applicable ground lease with OCHLT. Neither Declarant nor the Association has or shall have, any right, interest or obligation in the ground leases of the Lots on which the Affordable Units are located. ADU Owners should review and refer to the terms and provisions of their applicable ground lease for a complete and accurate description of their rights and obligations pursuant thereto.

B. No Leasing or Rental. Affordable Dwelling Units may only be occupied by the Owner thereof and the members of such Owner's family. No Owner shall rent or lease such Owner's Affordable Dwelling Unit for occupancy by a Person or Persons other than the Owner of the Affordable Dwelling Unit.

C. Resale and Pricing of Dwelling Units. An Owner may only offer to sell such Owner's Affordable Dwelling Unit in accordance with the requirements and regulations of OCHLT and the ground lease of the Lot on which the Affordable Dwelling Unit is located. The Affordable Dwelling Units shall be priced so as to be affordable for "qualified buyers" as that term is defined in the Town Resolution. The price at which an ADU Owner may resell their Affordable Dwelling Units is limited and subject to the terms of the ground lease for the Lot on which the dwelling unit is situated. The requirements of OCHLT or any ground lease on a Lot on which an Affordable Dwelling Unit is located may also include, but are not necessarily limited to, the requirement that the Affordable Dwelling Unit be offered for sale through OCHLT as the Owner's representative.

D. Parking. Parking for the Affordable Dwelling Units shall be permitted only on the Common Parking Spaces, the majority of which are located near the Affordable Dwelling Units. If an Affordable Dwelling Unit is situated on a Lot that contains a portion of a Common Parking Space, the use of such Common Parking Space by the Owner of such Lot shall be non-exclusive and subject to the rights of the other Owners to use of such Common Parking Space. No Owner shall have an exclusive right to use any Common Parking Space.

E. Waste Collection and Removal. Because the Affordable Dwelling Units are to be constructed on the applicable Lots without driveways, there shall be no "curbside" trash collection for the Affordable Dwelling Units. Owners of the Affordable Dwelling Units shall deposit their trash, refuse, and recycling in the containers and receptacles provided within the Waste Receptacle Area(s). No garbage or trash containers shall be permitted to be placed upon any portion of a Lot (other than inside the Dwelling Unit) on which an Affordable Dwelling Unit is located (except for trash containers used by Declarant or its contractors during the construction of the building in which the Dwelling Unit is located).

F. Notice Rights of OCHLT. Upon the Association's receipt of a copy of a recorded memorandum of lease identifying the lessee of a Lot and the legal description of such Lot, the Association shall provide OCHLT with timely written notice of the following:

1. Any condemnation, loss or casualty loss which affects any material portion of the Association Property;
2. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

3. Any failure by an Owner leasing a Lot from OCHLT and encumbered by a ground lease with OCHLT, to perform such Owner's obligations under the Association Documents, including, but not limited to, any delinquency in the payment of Assessments, or any other charge owed to the Association by said Owner where such failure or delinquency has continued for a period of sixty (60) days.

G. Amendment. The provisions of this Article XII shall not be amended without the prior written approval of the Town.

ARTICLE XIII
AMENDMENT AND MODIFICATION

The process of amending or modifying this Declaration shall be as follows:

A. Prior to Turnover Date. Until the Turnover Date and except as specifically provided otherwise in this Section A of Article XII, Declarant may amend this Declaration without the approval of any Member provided the amendment does not materially alter or change any Owner's right to the use and enjoyment of such Owner's Lot or of the Association Property as set forth in this Declaration, and the amendment does not adversely affect the title to any Lot. During any such period prior to the Turnover Date, this Declaration may not be amended without the written joinder of Declarant. Any other amendments of this Declaration prior to the Turnover Date, shall require the vote or written consent of sixty-seven percent (67%) of the votes held by each class of Members of the Association as such classes are set forth in the Association Documents; provided, however, that the percentage of the votes attributable to each class of Members of the Association necessary to amend a specific provision of this Declaration shall not be less than (i) the prescribed percentage (if any) of affirmative votes required for action to be taken under that provision, and (ii) any higher percentage of Members or of affirmative votes attributable to the Members (or each class of Members) specified by the Planned Community Act (if applicable).

B. After the Turnover Date. After the Turnover Date, and except for the annexation of Additional Property which shall be accomplished pursuant to the provisions of Section B of Article II, this Declaration may be amended by: (i) the consent of the Owners owning sixty-seven percent (67%) of all Lots; together with (ii) the approval or ratification of a majority of the Board, provided that the percentage of votes attributable to the Owners shall not be less than the prescribed percentage (if any) of affirmative votes attributable to the Owners as specified by the Planned Community Act. The aforementioned consent of the Owners owning sixty-seven percent (67%) (or such higher percentage, if applicable) of the Lots may be evidenced by a writing signed by the required number of Owners or by the affirmative vote of the required number of Owners at any regular or special meeting of the Association called and held in accordance with the Bylaws evidenced by a certificate of the Secretary or an Assistant Secretary of the Association.

C. Scrivener's Errors. Declarant may make amendments for correction of scrivener's errors or other nonmaterial changes alone until the Turnover Date and by the Board thereafter and without the need of consent of the Owners.

D. Amendments to Declarant's Rights. No amendment to this Declaration shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, notwithstanding anything to the contrary herein contained, no amendment to this Declaration shall be effective which would prejudice the

rights of a then Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Owner or Owners so affected consent to such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to this Declaration after the Turnover Date. Additionally, notwithstanding anything to the contrary contained herein, no amendment to this Declaration shall be effective which shall eliminate or modify the provisions of Section G of Article XIII and any such amendment shall be deemed to impair and prejudice the rights of Declarant hereunder.

E. FHA/VA Approval Prior to Turnover Date. As long as the "Class B" membership exists, if the Property is subject to the requirements of the Veteran's Administration ("VA"), The Federal Housing Administration ("FHA"), the Federal Dwelling Unit Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, amendment of this Declaration requires the prior approval of HUD/VA, except for amendments specifically permitted under Sections A and C of this Article XII.

F. Certification and Recording of Amendments. A true copy of any amendment to this Declaration shall be sent certified mail by the Association to Declarant and to all Institutional Mortgagees holding a mortgage on any portion of the Property requesting notice. The amendment shall become effective upon the recording of a Certificate of Amendment to this Declaration setting forth the amendment or modification amongst the Public Records of the County.

G. Amendments to Satisfy Lending Requirements. Declarant may, without the consent of any Owners, file any amendments which may be required by an Institutional Mortgagee for the purpose of satisfying its planned unit development criteria or such other criteria as may be established by such mortgagee's secondary mortgage market purchasers, including, without limitation, the Federal National Mortgage Association and the Federal Dwelling Unit Loan Mortgage Corporation; provided, however, any of Declarant's filed amendments must be in accordance with any applicable rules, regulations and other requirements promulgated by the United States Department of Housing and Urban Development.

ARTICLE XIV GENERAL PROVISIONS

A. Conflict with Other Association Documents. In the event of any conflict between the provisions hereof and the provisions of the Articles and/or Bylaws and/or rules and regulations promulgated by the Association, the provisions of this Declaration shall control.

B. Notices. Any notice or other communication required or permitted to be given or delivered hereunder shall be deemed properly given and delivered upon the mailing thereof by United States mail, first class, postage prepaid, to: (i) any Owner, at the address of the person whose name appears as the Owner on the records of the Association at the time of such mailing and, in the absence of any specific address, at the address of the Dwelling Unit owned by such Owner; and (ii) the Association, certified mail, return receipt requested, at 3739 National Drive, Suite 101, Raleigh, North Carolina 27612, or such other address as the Association shall hereinafter notify Declarant and the Owners of in writing; and (iii) Declarant, certified mail, return receipt requested, at 3739 National Drive, Suite 101, Raleigh, North Carolina 27612, or such other address or addresses as Declarant shall hereafter notify the Association of in writing, any such notice to the Association of a change in Declarant's address being

deemed notice to the Owners. Upon request of an Owner, the Association shall furnish to such Owner the then current address for Declarant as reflected by the Association records.

C. Enforcement. The covenants and restrictions herein contained may be enforced by Declarant (so long as Declarant holds an equitable or legal interest in any Lot and/or Dwelling Unit), the Association, any Owner and any Institutional Mortgagee holding a mortgage on any portion of the Property in any judicial proceeding seeking any remedy recognizable at law or in equity, including damages, injunction or any other form of relief against any person, firm or entity violating or attempting to violate any covenant, restriction or provision hereunder. The failure by any party to enforce any such covenant, restriction or provision herein contained shall in no event be deemed a waiver of such covenant, restriction or provision or of the right of such party to thereafter enforce such covenant, restriction or provision. The prevailing party in any such litigation shall be entitled to all costs thereof including, but not limited to, Legal Fees. All rights, remedies and privileges granted to the parties entitled to enforce the covenants, restrictions and provisions of this Declaration pursuant to any terms, provisions, covenants or conditions of this Declaration, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude a party entitled to enforce the covenants, restrictions and provisions of this Declaration from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

D. Captions, Headings and Titles. Article and Section captions, headings and titles inserted throughout this Declaration intended as a matter of convenience only and in no way shall such captions, headings or titles define, limit or in any way affect the subject matter or any of the terms and provisions thereunder or the terms and provisions of this Declaration.

E. Context. Whenever the context so requires or admits, any pronoun used herein may be deemed to mean the corresponding masculine, feminine or neuter form thereof, and the singular form of any nouns and pronouns herein may be deemed to mean the corresponding plural form thereof and vice versa.

F. Severability; Conflict with Planned Community Act. In the event that any of the provisions of this Declaration now or hereafter conflict with the provisions of any applicable law or requirement, including (but not limited to) the Planned Community Act, the provisions of the applicable law shall control unless the law permits this Declaration to override the applicable law, in which event this Declaration shall control. In the event any of the provisions of this Declaration shall be deemed invalid by a court of competent jurisdiction, said judicial determination shall in no way affect any of the other provisions hereof, which shall remain in full force and effect, and any provisions of this Declaration deemed invalid by a court of competent jurisdiction by virtue of the term or scope thereof shall be deemed limited to the maximum term and scope permitted by law. In the event that any court should hereafter determine that any provision of this Declaration is in violation of the rule of property known as the "rule against perpetuities" or any other rule of law because of the duration of a time period, such provision shall not thereby become invalid, but instead the duration of such time period shall be reduced to the maximum period allowed under such rule of law, and in the event the determination of the duration of such time period requires measuring lives, such measuring life shall be that of the incorporator of the Association.

G. Certain Rights of Declarant. Declarant reserves and Declarant and its nominees shall have the right to enter into and transact on the Property any business necessary to consummate the sale, lease or encumbrance of Dwelling Units or real property including, but not limited to, the right to maintain models

and a sales and/or leasing office, place signs, employ sales and leasing personnel, use the Association Property and show Dwelling Units, and Declarant reserves and shall have the right to make repairs to the Association Property and to carry on construction activity for the benefit of the Property. Declarant and its nominees may exercise the foregoing rights without notifying the Association. Any such models, sales and/or leasing office, signs and any other items pertaining to such sales or leasing efforts shall not be considered a part of the Association Property and shall remain the property of Declarant. This Section G may not be suspended, superseded or modified in any manner by any amendment to this Declaration unless such amendment is consented to in writing by Declarant. This right of use and transaction of business as set forth herein and the other rights reserved by Declarant in the Association Documents may be assigned in writing by Declarant in whole or in part. The rights and privileges of Declarant as set forth in this Section G, which are in addition to, and are in no way a limit on, any other rights or privileges of Declarant under any of the Association Documents, shall terminate upon Declarant no longer owning any portion of the Property (and having any equitable or legal interest therein) or upon such earlier date as Declarant shall notify the Association in writing of Declarant's voluntary election to relinquish the aforesaid rights and privileges.

H. Disputes as to Use. In the event there is any dispute as to whether the use of the Property or any portion or portions thereof complies with the covenants, restrictions, easements or other provisions contained in this Declaration, such dispute shall be referred to the Board, and a determination rendered by the Board with respect to such dispute shall be final and binding on all parties concerned therewith. Notwithstanding anything to the contrary herein contained, any use by Declarant of the Property or any parts thereof in accordance with Section G of this Article XIV shall be deemed a use which complies with this Declaration and shall not be subject to a contrary determination by the Board.

I. Delegation. The Association, pursuant to a resolution duly adopted by the Board, shall have the continuing authority to delegate all or any portion of its responsibilities for maintenance, operation and administration, as provided herein, to any managing agency or entity selected by the Board from time to time and whether or not related to Declarant. All contracts with management companies shall contain a provision that allows the Association to unilaterally terminate the contract without cause after ninety (90) days notice.

J. Term. This Declaration and the terms, provisions, conditions, covenants, restrictions, reservations, regulations, burdens and liens contained herein shall run with and bind the Property and inure to the benefit of Declarant, the Association, Owners, and their respective legal representatives, heirs, successors and assigns for a term of twenty-five (25) years from the date of recording this Declaration amongst the Public Records of the County, after which time this Declaration shall be automatically renewed and extended for successive periods of ten (10) years each unless at least one (1) year prior to the termination of such twenty-five (25) year term or any such ten (10) year extension there is recorded amongst the Public Records of the County an instrument agreeing to terminate this Declaration signed by Owners owning the greater of (i) two-thirds (2/3) of the Lots, or (ii) such higher percentage (if any) of Owners prescribed by the applicable provisions of the Planned Community Act, and Institutional Mortgagees holding first mortgages encumbering two-thirds (2/3) of all Lots encumbered by first mortgages held by Institutional Mortgagees, upon which event this Declaration shall be terminated upon the expiration of the fifty (25) year term or the ten (10) year extension during which such instrument was recorded.

K. Rights of Mortgagees.

1. Right to Notice. The Association shall make available for inspection upon request, during normal business hours or under reasonable circumstances, the Association Documents and the books, records and financial statements of the Association to Owners and the holders, insurers or guarantors of any first mortgages encumbering any portion of the Property. In addition, evidence of insurance shall be issued to each Owner and mortgagee holding a mortgage encumbering a Dwelling Unit upon written request to the Association.

2. Rights of Listed Mortgagee. Upon written request to the Association, identifying the name and address of the holder, insurer, or guarantor (such holder, insurer or guarantor is herein referred to as a "Listed Mortgagee") of a mortgage encumbering a Lot and the legal description of such Lot the Association shall provide such Listed Mortgagee with timely written notice of the following:

- i. Any condemnation, loss or casualty loss which affects any material portion of the Association Property;
- ii. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- iii. Any proposed action which would require the consent of mortgagees holding a mortgage encumbering a Lot; and
- iv. Any failure by an Owner owning a Lot encumbered by a mortgage held, insured or guaranteed by such Listed Mortgagee to perform his obligations under the Association Documents, including, but not limited to, any delinquency in the payment of Assessments, or any other charge owed to the Association by said Owner where such failure or delinquency has continued for a period of sixty (60) days.

3. Right of Listed Mortgagee to Receive Financial Statement. Any Listed Mortgagee shall, upon written request made to the Association, be entitled to financial statements for the Association for the prior fiscal year free of charge and the same shall be furnished within a reasonable time following such request.

1. Approval of Association Lawsuits by Owners. Notwithstanding anything contained herein to the contrary, the Association shall be required to obtain the approval of three-fourths (3/4) of all Members (at a duly called meeting of the Members at which a quorum is present) prior to the payment of legal or other fees to persons or entities engaged by the Association for the purpose of suing, or making, preparing or investigating any lawsuit, or commencing any lawsuit other than for the following purposes:

1. the collection of Assessments;
2. the collection of other charges which Owners are obligated to pay pursuant to the Association Documents;
3. the enforcement of the use and occupancy restrictions contained in the Association Documents;
4. in an emergency where waiting to obtain the approval of the Owners creates a substantial risk of irreparable injury to the Association Property or to Owner(s) (the imminent expiration of a statute of limitations shall not be deemed an emergency obviating the need for the requisite vote of three-fourths (3/4) of the Members);

- 5. filing a compulsory counterclaim; or
- 6. termination of employment relationship or enforcement of a contract.

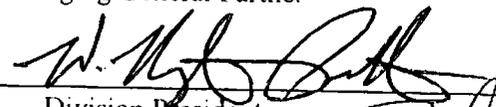
M. Compliance with Provisions. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot except as elsewhere herein provided does and shall be conclusively deemed to have consented to and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in such property.

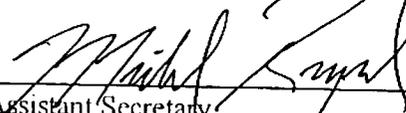
N. Rights and Requirements of Governmental Authorities. Any governmental authority or agency, including, but not limited to the Town and the County, their agents, and employees, shall have the right of immediate access to the Property at all times if necessary for the preservation of public health, safety and welfare. Should the Association or its Board fail to maintain the Association Property in accordance with the specifications set forth in the applicable governmental approvals for Vineyard Square for an unreasonable time, not to exceed ninety (90) days after written request to do so, the Town, the County and any other applicable governmental authority, by and through the affirmative action of a majority of the governing body, shall have the same right (but not the obligation), power and authority as is herein given to the Association and its Board to enforce this Declaration and levy Assessments necessary to maintain the Association Property, it being understood that in such event the applicable governing body may elect to exercise the rights and powers of the Association or its Board, to the extent necessary to take any action required and levy any Assessment that the Association might have taken, either in the name of the Association or otherwise, to cover the cost of maintenance of any Association Property. The rules granted herein shall be supplemental to any governmental authority the Town and County may have, and application of this provision shall not diminish, limit, or restrict the right of the Town and County to apply any other legal rights it may have.

IN WITNESS WHEREOF, Declarant has signed this Declaration on the dates set forth below.

DECLARANT:
CENTEX HOMES, a Nevada general partnership

By: Centex Real Estate Corporation,
a Nevada corporation
Its: Managing General Partner

By: 
Division President

Attest: 
Assistant Secretary

Date: _____

(SEAL)

STATE OF NORTH CAROLINA §
COUNTY OF WAKE §

I, MARTHA J. LEE, a Notary Public for the County and State aforesaid, certify that W. HAMPTON PITTS personally appeared before me this day and, being duly sworn, says and deposes, that he is the Division President of Centex Real Estate Corporation, a Nevada corporation, the Managing General Partner of Centex Homes, and that he executed the foregoing instrument for and on behalf of said corporation.

WITNESS my hand and official seal, this the 27th day of MAY

Martha J. Lee
Notary Public



My Commission Expires: 04/18/2006 *My Commission Expires 4-18-2006*

STATE OF NORTH CAROLINA - COUNTY OF ORANGE

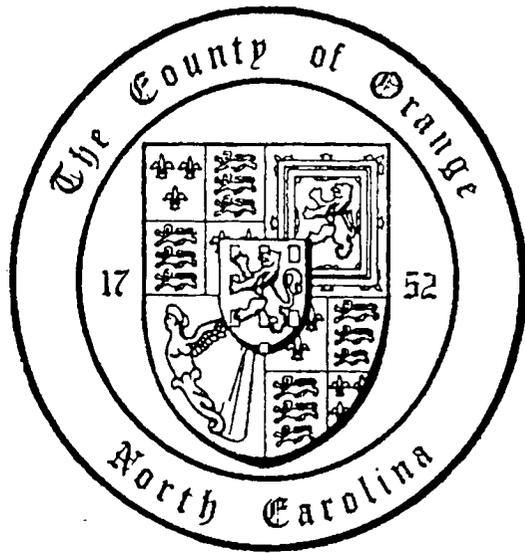
The foregoing certificate of _____, Notary Public is certified to be correct. This instrument and these certificates are duly registered at the date and time and in the book and page shown on the first page hereof.

ORANGE COUNTY REGISTER OF DEEDS

By: _____
Deputy/Asst. Register of Deeds]

E:\DIVISION\RALEIGH\Homestead Rd(Vineyd Sq)\HOADocs\TOWNHOME-DEC3-VINYDSQR-chn.doc





BOOK PAGE
3061 450

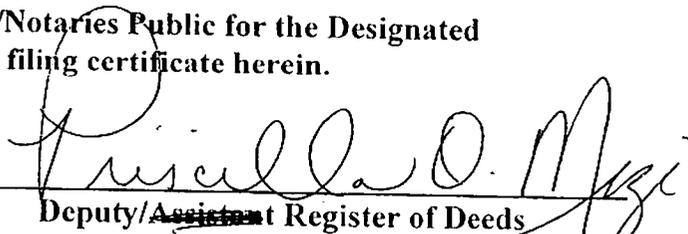
Joyce H. Pearson
Register of Deeds
Orange County
North Carolina

State of North Carolina, County of Orange

The foregoing certificate/s of Martha J. Lee, Notary/Notaries Public for the Designated
Governmental units is/are certified to be correct. See filing certificate herein.

This day June 17, 2003

JOYCE H. PEARSON, REGISTER OF DEEDS By:


Deputy/~~Assistant~~ Register of Deeds

Legal Description of the Property

LYING and being in the Town of Chapel Hill, Orange County, North Carolina , and being more particularly described as follows:

BEING all of the real property shown on that certain plat entitled "FINAL PLAT, R/W DEDICATION, STORM DRAINAGE EASEMENT AND O.W.A.S.A. DEDICATION OF VINEYARD SQUARE, PROPERTY OF CENTEX HOMES, CHAPEL HILL TOWNSHIP, ORANGE COUNTY, N.C.", recorded in **Book 92, Page 56**, in the Orange County Register of Deeds Office, to which plat reference is hereby made for a more particular description of same.

NOTE: The above described plat is not a "Final Plat" as that term is defined in this Declaration. Upon the recording of a "Final Plat" of any portion of the Property, which shows platted Lots and the Association Property that abuts the Lots, the Lots shown thereon shall be vested with the voting rights referred to in Article III of this Declaration, and the Association Property shown thereon designated for its appropriate use and purposes, as indicated on such Final Plat and in this Declaration.

BOOK PAGE
3061 452

EXHIBIT "B"

Lots with Affordable Dwelling Units

BEING that portion of the Property designated as future lots numbered 1 through 30, inclusive, as those proposed lots are shown on a plan entitled "Vineyard Square – formerly The Homestead, Chapel Hill, North Carolina – Overall Site Layout", a copy of which is attached to this Declaration as Exhibit "E".

EXHIBIT "C"

Approved Fencing

Fences require written architectural approval and will be addressed on a case-by-case basis. The following will more likely be approved:

- A 4' black aluminum fence attached to the rear of the unit;
- Two (2) 48" gates on either side will be required. Locked gates are prohibited, so as to allow lawn maintenance and public utility access to the rear of the units.
- The Committee may amend or supplement the design standards regarding the types of approved fencing through the architectural guidelines and design standards adopted by the Committee from time to time.

STORMWATER OPERATIONS AND MAINTENANCE PLAN

PROJECT: Vineyard Square (formerly The Homestead)
RESPONSIBLE PARTY: Centex Homes (to be taken over by Homeowner's Association)
ADDRESS: 3739 National Drive
Suite 101
Raleigh, NC 27612
TELEPHONE: 919-760-1110

The following maintenance schedule shall be applied to the stormwater detention basin for The Homestead Townhomes. The device is a dry detention basin with incorporated bio-retention elements located within the property. The basin is situated in the southeast corner of the developed portion of the property.

GENERAL MAINTENANCE

The slopes of the dry detention basins shall be mowed according to the season. The maximum grass height shall be 6 inches. The dry detention outlet structures shall be kept in good working order. In the case the ownership of the dry detention basin transfers, the current owner shall, within thirty days of the transfer of ownership, notify the Town of Chapel Hill Engineering Department, in writing, of such ownership transfer.

MONTHLY MAINTENANCE

1. Check and clear orifice of any obstructions.
2. Check basin side slopes; remove trash and repair eroded areas before the next rainfall.
3. Inspect and repair any erosion of filter soil.

QUARTERLY MAINTENANCE

1. Inspect the stormwater collection system for proper functioning. Clear any trash and clear piping of any obstructions.
2. Check outlet pipes for any undercutting of impoundment. Repair if necessary.
3. Repair damaged or broken pipes.
4. Replace rip rap that is choked with sediment.

SEMI-ANNUALLY

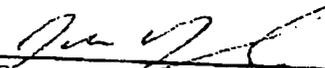
1. Remove accumulated sediment from bottom of outlet structure.
2. Remove and replace all dead and diseased vegetation considered beyond treatment.

ANNUALLY

1. Replace planting stakes (spring only).
2. Provide *Certification of Storage Capacity* to Town Stormwater Engineer. Certification must be sealed by a surveyor or professional engineer.

CONTINUAL MAINTENANCE

1. Treat all disease trees and shrubs (as needed).
2. Replace any deficient stakes or wires (as needed).


Signature of Responsible Party

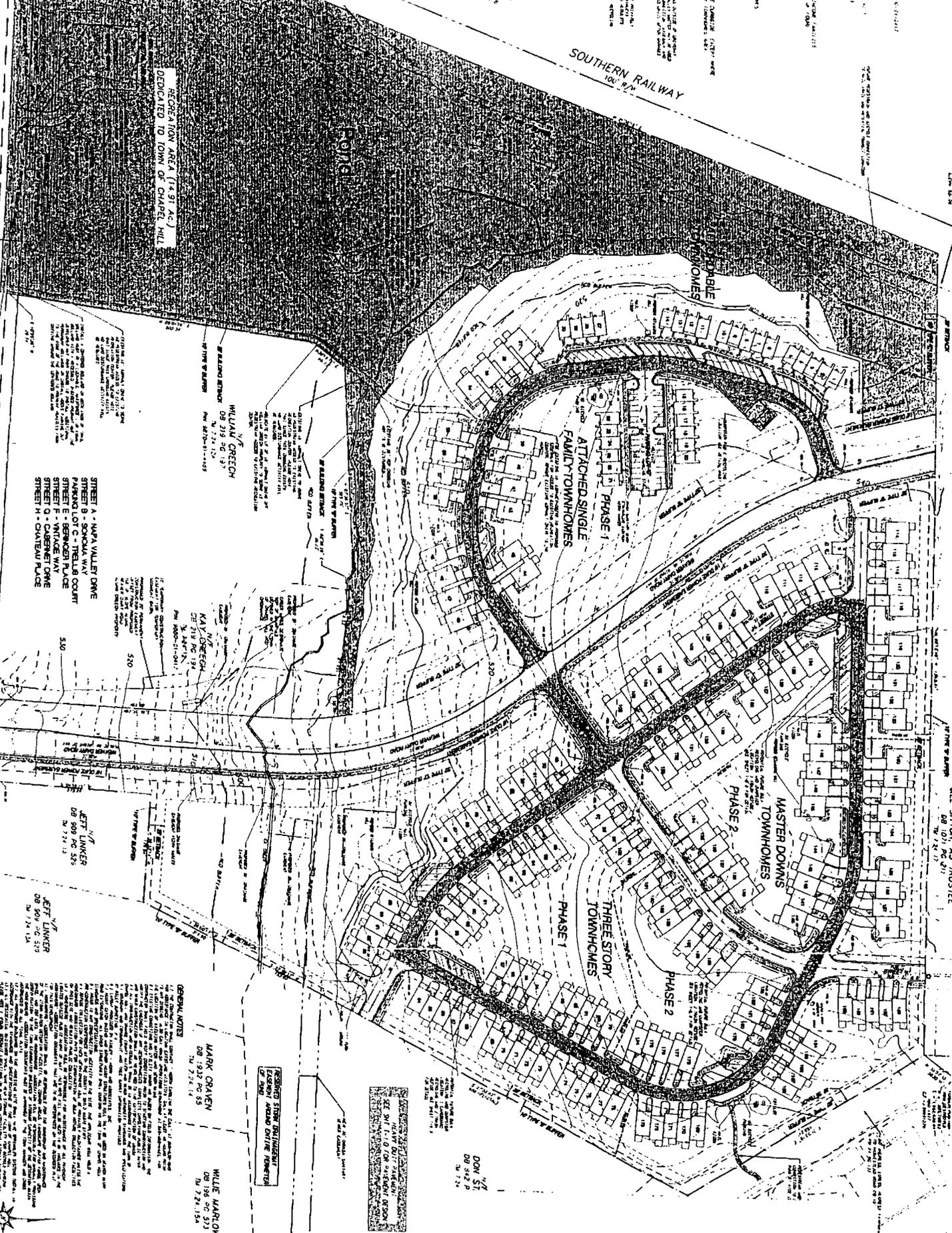
JOE JENKINS

10.31.02

Date

SOUTHERN RAILWAY
100' R/W

RECREATION AREA (4.91 AC.)
DEDICATED TO TOWN OF CHAPEL HILL



STREET A - WAPA VALLEY DRIVE
STREET B - SONOMA WAY
PARKING LOT C - TRELLE COURT
STREET E - BENCKER PLACE
STREET F - VANCE WAY
STREET G - CARMENET DRIVE
STREET H - CHATEAU PLACE

WILLIAM O'BRECH
DB 219 SC 57
PW 8710-11-1419

KAY O'BRECH
DB 219 SC 57
PW 8000-01-0411

JEFF LINKER
DB 209 SC 57
PW 724-113

JEFF LINKER
DB 209 SC 57
PW 724-113A

MARK ORAVEN
DB 199 SC 55
PW 724-113

WILLIE MARLOW
DB 199 SC 57
PW 724-113A

SEE SHEET 1.0 FOR PRELIMINARY DESIGN
AND CONSTRUCTION NOTES

DESIGNED BY STONE ENGINEERING
FOR THE TOWN OF CHAPEL HILL

GENERAL NOTES:
1. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
2. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
3. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
4. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
5. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
6. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
7. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
8. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
9. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.
10. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE TOWN OF CHAPEL HILL.

VINEYARD SQUARE
FORMERLY THE HOMESTEAD
CHAPEL HILL, NORTH CAROLINA
OVERALL SITE LAYOUT

EXHIBIT E

PROJECT NUMBER
324-2001
C-2.0
DRAWING SHEET

NO.	DATE	DESCRIPTION
1	11/11/03	ISSUED FOR PERMITTING
2	11/11/03	ISSUED FOR PERMITTING
3	11/11/03	ISSUED FOR PERMITTING
4	11/11/03	ISSUED FOR PERMITTING
5	11/11/03	ISSUED FOR PERMITTING
6	11/11/03	ISSUED FOR PERMITTING
7	11/11/03	ISSUED FOR PERMITTING
8	11/11/03	ISSUED FOR PERMITTING
9	11/11/03	ISSUED FOR PERMITTING
10	11/11/03	ISSUED FOR PERMITTING

NORTH CAROLINA
ORANGE COUNTY

BOOK PAGE
3061 397

6/17/2003

VERIFIED BY MSD

FOLLOWING PINS ASSIGNED TO

DBL
DOCUMENT TYPE

3061, 398
BOOK PAGE

SUBDIVISION DESCRIPTION:

PLAT /

MULTIPLE PIN ASSIGNMENT

Page 1 of 1

PIN: 9870 - 92 - 3341
TMBL: 7.24..16
PIN: 9870 - 91 - 2947
TMBL: 7.24..16A
PIN: 9870 - 92 - 6336
TMBL: 7.24..16B
PIN: 9870 - 92 - 7814
TMBL: 7.24..16C
PIN: 9880 - 02 - 1568
TMBL: 7.24..16D
PIN: 9880 - 02 - 4328
TMBL: 7.24..16E
PIN: 9880 - 02 - 7421
TMBL: 7.24..16F
PIN: 9880 - 01 - 3818
TMBL: 7.24..16G
PIN: 9870 - 92 - 9218
TMBL: 7.24..16H

DESC: #1 VINEYARD SQUARE P92/56
DESC: #2 CENTEX HOMES P91/121
DESC: #2 VINEYARD SQUARE P92/56
DESC: #3 VINEYARD SQUARE P92/56
DESC: #4 VINEYARD SQUARE P92/56
DESC: #5 VINEYARD SQUARE P92/56
DESC: #6 VINEYARD SQUARE P92/56
DESC: #7 VINEYARD SQUARE P92/56
DESC: ROADS VINEYARD SQUARE P92/56

FILED
17 JUN 2003, at 03:56:08pm
Book 3061, Page 397 - 397
Joyce H. Pearson
Register of Deeds,
Orange County, N. C.

BYLAWS OF

VINEYARD SQUARE OWNERS ASSOCIATION, INC.

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. IDENTIFICATION OF ASSOCIATION.....	1
2. EXPLANATION OF TERMINOLOGY.....	1
3. MEMBERSHIP; VOTING POWER.....	1
4. MEMBERS' MEETINGS; VOTING PROCEDURES; AND PROXIES	3
5. BOARD; DESIGNATION AND ELECTION OF DIRECTORS: DIRECTORS' MEETINGS	5
6. POWERS AND DUTIES OF THE BOARD	8
7. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES	9
8. LATE FEES.....	10
9. OFFICERS OF THE ASSOCIATION	11
10. RESIGNATIONS	12
11. ACCOUNTING RECORDS; FISCAL MANAGEMENT	12
12. RULES AND REGULATIONS.....	14
13. PARLIAMENTARY RULES.....	14
14. ROSTER OF OWNERS	14
15. AMENDMENT OF THE BYLAWS.....	14
16. INTERPRETATION.....	15

**BYLAWS
OF
VINEYARD SQUARE OWNERS ASSOCIATION, INC.**

1. Identification of Association

These are the Bylaws of Vineyard Square Owners Association, Inc. ("Association") as duly adopted by its Board of Directors ("Board"). The Association is a nonprofit corporation organized pursuant to Chapter 55A and Chapter 47F of the North Carolina General Statutes.

1.1 The office of the Association shall be for the present at 3739 National Drive, Wake County, North Carolina, and thereafter may be located at any place designated by the Board.

1.2 The fiscal year of the Association shall be the calendar year.

1.3 The seal of the Association shall bear the name of the Association, the word "North Carolina" and the words "Nonprofit Corporation."

2. Explanation of Terminology

The terms defined in the Articles of Incorporation of the Association ("Articles") as well as in the Declaration of Covenants, Restrictions and Easements for Vineyard Square ("Protective Covenants") are incorporated herein by reference and shall appear in initial capital letters each time such terms appear in these Bylaws.

3. Membership; Voting Power

Each Member shall be entitled to the benefit of, and be subject to, the provisions of the Association Documents. The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be established and terminated as set forth below:

3.1 Membership in the Association for Owners other than Declarant and the "ADU Owners" (as defined in the Protective Covenants) shall be established by the acquisition of ownership of fee title to a Lot as evidenced by the recording of an instrument of conveyance among the Public Records of Orange County, North Carolina (the "County"). Membership in the Association for ADU Owners shall be established by the acquisition of an "Affordable Dwelling Unit" (as defined in the Protective Covenants) and a leasehold interest in a Lot, as evidenced by the recording of a deed of conveyance of the Affordable Dwelling Unit and a memorandum of lease on the Lot in the Public Records of Orange County, North Carolina. Otherwise, voting rights attributable to an ownership interest shall vest upon the recording of the

Protective Covenants. Where title to a Lot is acquired by conveyance from a party other than Declarant by means of sale, gift, inheritance, devise, judicial decree or otherwise, the person, persons or entity thereby acquiring such Lot shall not be a Member unless or until such Owner shall deliver a true copy of a deed or other instrument of acquisition of title to the Association, but if the Lot so acquired is a Contributing Lot (as defined in the Protective Covenants), the person, persons or entity thereby acquiring such Lot shall be deemed to be a Contributing Lot Owner (as defined in the Protective Covenants) upon the acquisition of such Lot and liable to the Association for Assessments attributable to such Lot in accordance with the provisions of Article IV and V of the Protective Covenants, regardless of the membership status of such Contributing Lot Owner.

3.2 The Association shall have two (2) classes of voting membership:

3.2.1 "Class A Members" shall be all Members, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned (or leased, as to ADU Owners).

3.2.2 "Class B Members" shall be Declarant who shall be entitled to three (3) votes for each Lot owned by Declarant. Class B membership shall cease and be converted to Class A membership upon the Turnover Date (defined in the Protective Covenants).

On the Turnover Date, Class A Members, including Declarant, shall assume control of the Association and elect the Board.

3.3 The designation of different classes of membership is for the purpose of establishing the number of votes applicable to certain Lots, and, nothing herein shall be deemed to require voting solely by an individual class on any matter which requires the vote of Members, unless otherwise specifically set forth in Association Documents.

3.4 No Member may assign, hypothecate or transfer in any manner his membership in the Association except as an appurtenance to his Lot.

3.5 Any Member who conveys or loses title to a Lot by sale, gift, devise, bequest, judicial decree or otherwise shall, immediately upon such conveyance or loss of title, no longer be a Member with respect to such Lot and shall lose all rights and privileges of a Member resulting from ownership of such Lot, but shall remain personally liable to the Association for any unpaid Assessments levied upon the subject Lot which accrue during the period of such Person's ownership of the Lot.

3.6 There shall be only one (1) vote for each Lot, except for Class B Members as set forth herein. If there is more than one Member with respect to a Lot as a result of the fee interest in such Lot being held by more than one person, then all such persons shall be Members, but no more than one vote shall be cast with respect to any Lot. The vote for any such Lot shall be

exercised as the Members holding an interest in such Lot determine among themselves. In the event of disagreement, the decision of Members holding a majority of interest in such Lot shall govern. Fractional voting shall not be allowed. Unless otherwise notified by a co-owner as to a dispute between the co-owners regarding their vote prior to the casting of that vote, the vote of any co-owner shall be conclusively presumed to be the majority vote of the Owners of that Lot.

4. Members' Meetings; Voting Procedures; and Proxies

4.1 The Members shall meet annually ("Annual Members' Meeting"). The Annual Members' Meeting shall be held at the office of the Association or at such other place in the County as the Board may determine and on such day and at such time as designated by the Board in the notice of such meeting commencing with the year following the year in which the Articles are filed with the North Carolina Secretary of State. The purpose of the Annual Members Meeting shall be to hear reports of the officers, elect members of the Board (when that shall be appropriate as determined by the provisions of Section 5 of these Bylaws) and transact any other business authorized to be transacted at such Annual Members' Meeting.

4.2 Special meetings (meetings other than the Annual Members' Meeting) of the Members shall be held at any place within the County whenever called by the President or Vice President or by a majority of the Board. A special meeting must be called by such President or Vice President upon receipt of a written request from Members having the right to vote at least five percent (5%) of the total number of votes entitled to be cast by Members at any such special meeting.

4.3 Except as may otherwise be provided in the Association Documents, a written notice of all Members' meetings, whether the Annual Members' Meeting or special meetings (collectively "Meeting"), shall be given to each Member entitled to vote thereat at his last known address as it appears on the books of the Association and shall be mailed first class to the said address not less than ten (10) days nor more than forty-five (45) days prior to the date of the Meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any notice given hereunder shall state the time and place of the Meeting and the purposes for which the Meeting is called. The notice of all Annual Members' Meetings shall, in addition, specify the number of Directors of the Association to be designated by Declarant and the number of Directors to be elected by the Members, if applicable. Notwithstanding any provisions hereof to the contrary, notice of any Meeting may be waived before, during or after such Meeting by a Member or by the person entitled to vote for such Member by signing a document setting forth the waiver of such notice.

4.4 The Members may, at the discretion of the Board, act by written response in lieu of a Meeting provided written notice of the matter or matters to be agreed upon is given to the Members or duly waived in accordance with the provisions of these Bylaws. Unless some greater number is required under the Association Documents and except as to the election of Directors, which shall be accomplished by plurality vote, the decision of a majority of the votes

cast by Members as to the matter or matters to be agreed or voted upon shall be binding on the Members provided a quorum is either present at such Meeting or submits a response if action is taken by written response in lieu of a Meeting, as the case may be. The notice with respect to actions to be taken by written response in lieu of a Meeting shall set forth the time period during which the written responses must be received by the Association.

4.5 Unless a different percentage is specifically required by any provision in the Association Documents or the Planned Community Act of the State of North Carolina (Chapter 47F N.C.G.S.)] or other applicable law, a quorum of the Members shall consist of Members entitled to cast twenty percent (20%) of the total number of votes of the Members.

When a quorum is present at any Meeting and a question which raises the jurisdiction of such Meeting is presented, the holders of a majority of the voting rights present in person or represented by written "Proxy" (as hereinafter defined) shall be required to decide the question. However, if the question is one upon which a vote other than the majority vote of a quorum is required by express provision of the Association Documents or by law, then such express provision shall govern and control the required vote on the decision of such question.

4.6 At any Annual Members' Meeting when elections of Directors are to occur, written ballots are to be supplied to Members for such purposes. Furthermore, at any Annual Members' Meeting at which Directors are to be elected, the "Chairman" (as hereinafter defined in Section 9.2 hereof) shall appoint an "Election Committee" consisting of three (3) Members to supervise the election, count and verify ballots and Proxies, disqualify votes if such disqualification is justified under the circumstances and to certify the results of the election to the Board. The Election Committee shall be able to determine questions within its jurisdiction by plurality vote of all three (3) members, but matters resulting in deadlocked votes of the Election Committee shall be referred to the entire Board for resolution.

4.7 In the absence of a quorum at a Meeting, the Members entitled to vote at such Meeting shall have the power to adjourn the meeting to another time subject to the same notice requirement, unless the Meeting is held within thirty (30) days after the adjourned Meeting, in which event no additional notice shall be required if the time and place of the following Meeting is announced at the adjourned meeting. If a Meeting is adjourned due to lack of a quorum, and a subsequent Meeting is scheduled in lieu thereof, all notice requirements being applicable to such subsequent Meeting, and such notice indicates that the subsequent Meeting is being held due to lack of a quorum at the adjourned Meeting then the quorum requirement for the subsequent Meeting shall be one-half ($\frac{1}{2}$) of the quorum requirement for the adjourned Meeting, provided such subsequent Meeting is held within forty-five (45) days of the adjourned Meeting. The reducing quorum requirement may take place multiple times for multiple subsequent Meetings (reducing by fifty percent (50%) each time subject to the minimum quorum requirement referred to below), provided all notice requirements and time periods are complied with, until a Meeting is held at which a quorum is present.

4.8 Minutes of all Meetings shall be kept in a businesslike manner and be available for inspection by the Members and Directors at all reasonable times.

4.9 Voting rights of Members shall be as stated in Section 5 of these Bylaws with respect to the election of all Boards other than the First Board. Such votes may be cast in person or by Proxy. "Proxy" is defined to mean an instrument containing the appointment of a person who is substituted in the place and stead of the person or authorized representative of an entity entitled to vote. Proxies shall be in writing signed by the person or authorized representative of an entity giving the same and shall be valid only for the particular Meeting designated therein and, if so stated in the Proxy, any adjournments thereof. A Proxy must be filed with the Secretary of the Association before the appointed time of the Meeting in order to be valid. Any Proxy may be revoked prior to the time a vote is cast according to such Proxy.

4.10 The voting on any matter at a Meeting shall be by secret ballot upon request of the holders of ten percent (10%) of the votes represented at such Meeting and entitled to be cast on such matter, if such request is made prior to the vote in question.

5. Board; Designation and Election of Directors; Directors' Meetings

5.1 The business and administration of the Association shall be by its Board.

5.2 The number of Directors on the first Board of Directors of the Association ("First Board") and the "Initial Elected Board" (as hereinafter defined) shall be three (3) as provided in the Articles. The number of Directors elected by the Members subsequent to the "Declarant's Resignation Event" (as hereinafter defined) shall be not less than three (3) nor more than five (5), as the Board shall from time to time determine prior to each meeting at which Directors are to be elected, but in any event these shall always be an odd number of Directors. Except for Declarant-appointed Directors, Directors must be Members or the parents, children or spouse of Members. There shall be one (1) vote for each Director.

5.3 The names and addresses of the persons who are to serve as Directors on the First Board are as set forth in the Articles. Declarant reserves the right to replace and/or designate and elect successor Directors to serve on the First Board for so long as the First Board is to serve, as hereinafter provided.

5.4 Upon the Turnover Date (defined in the Protective Covenants), the Members other than Declarant ("Purchaser Members") shall be entitled to elect not less than a majority of the Board. The election of not less than a majority of the Board by the Purchaser Members shall occur at a special meeting of the membership to be called by the Board for such purpose ("Initial Election Meeting"). The First Board shall serve until the Initial Election Meeting.

5.5 At the Initial Election Meeting, Purchaser Members shall elect two (2) of the Directors, and Declarant, until the Declarant's Resignation Event, shall be entitled to designate

one (1) Director (same constituting the "Initial Elected Board"). Declarant reserves and shall have the right, until the Declarant's Resignation Event, to name the successor, if any, to any Director it has so designated.

5.6 The Board shall continue to be so designated and elected, as described in Paragraph 5.5 above, at each subsequent "Annual Members' Meeting" (as hereinafter defined), until the Annual Members' Meeting following the Declarant's Resignation Event or until Declarant is removed in the manner hereinafter provided.

A Director (other than a Declarant-appointed Director) may be removed from office upon the affirmative vote of a majority of Owners, for any reason deemed to be in the best interests of the Owners. A meeting of the Owners to so remove a Director (other than a Declarant-appointed Director) shall be held upon the written request of twenty percent (20%) of the Owners.

5.7 The Initial Election Meeting shall be called by the Association, through the Board, within sixty (60) days after the Purchaser Members are entitled to elect a majority of Directors as provided in Paragraph 5.4 hereof. A notice of meeting shall be forwarded to all Members in accordance with the applicable provisions of these Bylaws; provided, however, that the Members shall be given at least fourteen (14) days' notice of such meeting. The notice shall also specify the number of Directors which shall be elected by the Purchaser Members and the remaining number of Directors designated by Declarant.

5.8 Upon the earlier to occur of the following events ("Declarant's Resignation Event"), Declarant shall cause all of its designated Directors to resign:

5.8.1 When Declarant no longer holds any Lot for sale in the ordinary course of business and all Lots sold by Declarant have been conveyed as evidenced by the recording of instruments of conveyance of such Lots amongst the Public Records of the County; or

5.8.2 When Declarant causes the voluntary resignation of all of the Directors designated by Declarant and does not designate replacement Directors.

Upon Declarant's Resignation Event, the Directors elected by Purchaser Members shall elect a successor Director to fill the vacancy caused by the resignation or removal of Declarant's designated Director. This successor Director shall serve until the next Annual Members' Meeting and until his successor is elected and qualified. In the event Declarant's Resignation Event occurs prior to the Initial Election Meeting, the Initial Election Meeting shall be called in the manner set forth in Paragraph 5.7 of this Section 5, and all of the Directors shall be elected by the Purchaser Members at such meeting.

5.9 At each Annual Members' Meeting held subsequent to Declarant's Resignation Event, all of the Directors shall be elected by the Members. At the first Annual Members

Meeting held after the Initial Election Meeting, a "staggered" term of office of the Board shall be created as follows:

5.9.1 a number equal to fifty percent (50%) of the total number of Directors rounded to the nearest whole number is the number of Directors whose term of office shall be established at two (2) years and the Directors serving for a two (2) year term will be the Directors receiving the most votes at the meeting; and

5.9.2 the remaining Directors' terms of office shall be established at one (1) year.

At each Annual Members Meeting thereafter, as many Directors of the Association shall be elected as there are Directors whose regular term of office expires at such time, and the term of office of the Directors so elected shall be for two (2) years expiring when their successors are duly elected and qualified.

The resignation of a Director who has been designated by Declarant or the resignation of an officer of the Association who has been elected by the First Board shall remise, release, acquit, satisfy and forever discharge such officer or Director of and from any and all manner of action(s), cause(s) of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law or in equity, which the Association or Purchaser Members had, now have or will have or which any personal representative, successor, heir or assign of the Association or Purchaser Members hereafter can, shall or may have against said officer or Director for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of such resignation, except for such Director's or officer's willful misconduct or gross negligence.

5.10 The organizational meeting of a newly elected Board shall be held within thirty (30) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected. No further notice of the organizational meeting shall be necessary.

5.11 Regular meetings of the Board may be held at such times and places in the County as shall be determined from time to time by a majority of Directors. Special meetings of the Board may be called at the discretion of the President or the Vice President. Special meetings must be called by the Secretary at the written request of at least twenty percent (20%) of the Directors. Such special meeting may be held in the County at such time and place as determined by the Directors requesting such meeting or in such other place as all Directors shall agree upon.

5.12 Notice of the time and place of regular and special meetings of the Board, or adjournments thereof, shall be given to each Director personally or by mail, telephone or telegraph at least three (3) days prior to the day named for such meeting unless such notice is waived before, during or after such meeting. Any Director may waive notice of the meeting in

writing before, during or after a meeting and such waiver shall be deemed equivalent to the receipt of notice by such Director.

5.13 A quorum of the Board shall consist of the Directors entitled to cast a majority of the votes of the entire Board. Matters approved by a majority of the Directors present at a meeting at which a quorum is present shall constitute the official acts of the Board, except as may be otherwise specifically provided by law, by the Articles or elsewhere herein. If at any meetings of the Board there shall be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any meeting that takes place on account of a previously adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted. In the case of the adjournment of a meeting, no further notice of the adjourned meeting need be given unless otherwise determined by the Board.

5.14 The presiding officer at all Board meetings shall be the President. In the absence of the President, the Directors shall designate any one of their number to preside.

5.15 Directors' fees, if any, shall be determined by the Members.

5.16 Minutes of all meetings of the Board shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times.

5.17 The Board shall have the power to appoint an "Executive Committee(s)" of the Board consisting of not less than three (3) Directors. An Executive Committee(s) shall have and exercise such powers of the Board as may be delegated to such Executive Committee(s) by the Board.

5.18 Meetings of the Board may be open to all Members on such terms as the Board may determine. The Board may also hold closed meetings to the extent permitted by applicable law.

5.19 Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, specifically setting forth the action to be taken, shall be signed by all the Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of Directors.

6. Powers and Duties of the Board

6.1 All of the powers and duties of the Association shall be exercised by the Board. Such powers and duties of the Board shall include, but not be limited to, all powers and duties set forth in the Association Documents, as well as all of the powers and duties of a director of a corporation not for profit.

6.2 The Association may employ a manager to perform any of the duties, powers or functions of the Association. Notwithstanding the foregoing, the Association may not delegate to the manager the power to conclusively determine whether the Association should make expenditures for capital additions or improvements chargeable against the Association fund in excess of five percent (5%) of the budgeted Operating Expenses of the Association for any fiscal year of the Association. The members of the Board shall not be personally liable for any omission or improper exercise by the manager of any duty, power or function delegated to the manager by the Association.

7. Indemnification of Directors, Officers and Employees

7.1 Any person who at any time is serving or has served as a Director, officer, employee or agent of the Association, or who is serving or has served in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprise or, at the request of the Association, as a trustee or administrator under any employee benefit plan, shall be indemnified by the Association to the fullest extent permitted by law, including specifically the indemnification provided by the provisions of the North Carolina Nonprofit Corporation Act, including but not limited to indemnification against (i) reasonable expenses, including attorneys' fees actually and necessarily incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (ii) reasonable payments made by him in satisfaction of any judgment, money decree, fine penalty or settlement for which he may become liable in any such action, suit or proceeding.

The Board shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by the provisions of this Section 7.1, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and if required, giving notice to, and obtaining approval by, the Members of the Association.

Any person who at any time serves or has served in any of the aforesaid capacities for, on behalf of, or at the request of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided under this Section 7.1. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of the Bylaws.

If the North Carolina Nonprofit Corporation Act is subsequently amended to eliminate or further limit the personal liability of Directors or to authorize corporate action to eliminate or further limit such liability, then the liability of the Directors of this Association shall, without any further action of the Board or the Members, be eliminated or limited to the fullest extent permitted by the North Carolina Nonprofit Corporation Act as so amended.

7.2 The Association shall have the power to purchase and maintain insurance on behalf of any person who is serving or has served as a Director, officer, employee or agent of the Association, or who is serving or has served in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprise or, at the request of the Association, as a trustee or administrator under any employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Association would otherwise have the power to indemnify him against such liability.

7.3 In addition to the indemnification authorized under the provisions of Sections 7.1 and 7.2 of this Section 7 and under the provision of the North Carolina Nonprofit Corporation Act, the Association, acting pursuant to a resolution adopted by the Board, may by contract agree to indemnify any person who at any time is serving or has served as a Director, officer, employee or agent of the Association, or in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprises or, at the request of the Association, as a trustee or administrator under any employee benefit plan, against liability and reasonable litigation expenses, including attorneys' fees, arising out of his status as such or his activities in any of the foregoing capacities before or after the date on which the contract is executed; PROVIDED, HOWEVER, that the Association may not agree under any such contract to indemnify any such person against any liability or litigation expense he may incur in relation to matters as to which he shall have been adjudged in such action, suit or proceeding to have acted in bad faith or to have been liable or guilty by reason of willful misconduct in the performance of duty.

7.4 Any repeal or modification of the foregoing provisions of this Section 7 shall not affect any rights or obligations then existing with respect to any state of facts then or therefore or thereafter brought based in whole or in part on any such state of facts.

7.5 This Section is intended to provide indemnification solely for actions taken by a person in his/her capacity as an officer or Director of the Association. Nothing herein shall be deemed to provide indemnification to any Person for any liability that may result from that Person's ownership of any portion of the Property.

8. Late Fees

An Owner who fails to timely pay any Assessment may be charged a late charge of Twenty-Five Dollars (\$25) by the Association for such late Assessment. Owners shall be responsible to pay all legal fees (including, but not limited to, attorney and paralegal fees and court costs) incurred in connection with the collection of late Assessments whether or not an action at law to collect said Assessment and foreclose the Association's lien has been commenced. The Board has authorized the following initial schedule of fees for such circumstances:

8.1 One Hundred Dollars (\$100) for a Claim of Lien plus recording costs and sending of Notice of Intention to Foreclose;

8.2 Fifty Dollars (\$50) for any subsequent Claims of Lien plus recording costs;

8.3 Fifty Dollars (\$50) for a Satisfaction of Lien plus recording costs; and

8.4 Any further action would require an hourly computation of attorney and/or paralegal time spent pursuing collection of such unpaid Assessments.

9. Officers of the Association

9.1 Executive officers of the Association shall be the President, who shall be a Director, one or more Vice Presidents, a Treasurer and a Secretary, all of whom shall be elected annually by the Board. Any officer may be removed without cause from office by vote of the Directors at any meeting of the Board. The Board may, from time to time, elect such other officers and assistant officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association. One person may hold any two offices simultaneously, except where the functions of such offices are incompatible, but no person shall hold the office of President and any of the following offices simultaneously: Vice President, Secretary or Assistant Secretary.

9.2 The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the President of an association or a corporation not for profit, including, but not limited to, the power to appoint such committees from among the Members at such times as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association. If in attendance, the President ("Chairman") shall preside at all meetings of the Board and the Members; provided, however, that the President may appoint a substitute.

9.3 In the absence or disability of the President, a Vice President shall exercise the powers and perform the duties of the President. If more than one (1) Vice President, the Board shall designate which Vice President is to perform which duties. The Vice President(s) shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board. In the event there shall be more than one Vice President elected by the Board, then they shall be designated "First," "Second," etc., and shall exercise the powers and perform the duties of the presidency in such order.

9.4 The Secretary shall keep the minutes of all meetings of the Board and the Members, which minutes shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times. The Secretary shall have custody of the seal of the Association and affix the same to instruments requiring such seal when duly authorized and directed to do so. The Secretary shall be custodian for the corporate records of the

Association, except those of the Treasurer, and shall perform all of the duties incident to the office of Secretary of the Association as may be required by the Board or the President. The Assistant Secretary, if any, shall perform the duties of the Secretary when the Secretary is absent and shall assist the Secretary under the supervision of the Secretary.

9.5 The Treasurer shall have custody of all of the monies of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall keep the assessment rolls and accounts of the Members and shall keep the books of the Association in accordance with good accounting practices and he shall perform all of the duties incident to the office of the Treasurer. The Assistant Treasurer, if any, shall perform the duties of the Treasurer when the Treasurer is absent and shall assist the Treasurer under the supervision of the Treasurer.

9.6 The compensation, if any, of the officers and other employees of the Association shall be fixed by the Board. This provision shall not preclude the Board from hiring a Director as an employee of the Association or preclude the contracting with a Director or a party affiliated with a Director for the management or performance of contract services for all or any part of the Project.

10. Resignations

Any Director or officer may resign his post at any time by written resignation, delivered to the President or Secretary, which shall take effect upon its receipt unless a later date is specified in the resignation, in which event the resignation shall be effective from such date unless withdrawn. The acceptance of a resignation shall not be required to make it effective. The conveyance of all Lots owned by any Director or officer (other than appointees of Declarant or officers and Directors who were not Owners) shall constitute a written resignation of such Director or officer.

11. Accounting Records; Fiscal Management

11.1 The Association shall use the cash basis method of accounting and shall maintain accounting records in accordance with good accounting practices, which shall be open to inspection by Members and Institutional Mortgagees or their respective authorized representatives at reasonable times. Such authorization as a representative of a Member must be in writing and signed by the person giving the authorization and dated within sixty (60) days of the date of the inspection. Such records shall include, but not be limited to: (i) a record of all receipts and expenditures; and (ii) an account for each Contributing Lot within the Project which shall designate the name and address of the Contributing Lot Owner thereof, the amount of Individual Lot Assessments and all other Assessments, if any, charged to the Contributing Lot, the amounts and due dates for payment of same, the amounts paid upon the account and the balance due.

11.2 The Board shall adopt a Budget (as provided for in the Protective Covenants) of the anticipated Operating Expenses for each forthcoming calendar year (the fiscal year of the

Association being the calendar year) at a special meeting of the Board ("Budget Meeting") called for that purpose to be held during the month of November of the year preceding the year to which the Budget applies, provided that the first Budget Meeting is to be held prior to the completion of the first Dwelling Unit. Prior to the Budget Meeting, a proposed Budget for the Operating Expenses shall be prepared by or on behalf of the Board. Within thirty (30) days after adoption of the Budget, a copy thereof shall be furnished to each Member, and each Contributing Lot Owner shall be given notice of the Individual Lot Assessment applicable to his Contributing Lot(s). The copy of the Budget shall be deemed furnished and the notice of the Individual Lot Assessment shall be deemed given upon its delivery or upon its being mailed to the Contributing Lot Owner shown on the records of the Association at his last known address as shown on the records of the Association.

11.3 In administering the finances of the Association, the following procedures shall govern: (i) the fiscal year shall be the calendar year; (ii) any monies received by the Association in any calendar year may be used by the Association to pay expenses incurred in the same calendar year; (iii) there shall be apportioned between calendar years on a pro rata basis any expenses which are prepaid in any one calendar year for Operating Expenses which cover more than such calendar year; (iv) Assessments shall be made as more fully provided in the Protective Covenants in amounts no less than are required to provide funds in advance for payment of all of the anticipated current Operating Expenses and for all unpaid Operating Expenses previously incurred; and (v) items of Operating Expenses incurred in a calendar year shall be charged against income for the same calendar year regardless of when the bill for such expenses is received. Notwithstanding the foregoing, the Assessments for Operating Expenses and any periodic installments thereof shall be of sufficient magnitude to insure an adequacy and availability of cash to meet all budgeted expenses in any calendar year as such expenses are incurred in accordance with the cash basis method of accounting.

11.4 The Individual Lot Assessment shall be payable as provided for in the Protective Covenants.

11.5 No Board shall be required to anticipate revenue from Assessments or expend funds to pay for Operating Expenses not budgeted or which shall exceed budgeted items, and no Board is required to engage in deficit spending. Subsequent to the Guarantee Period as described in the Protective Covenants, should there exist any deficiency which results from there being greater Operating Expenses than monies from Assessments, then such deficits shall be carried into the next succeeding year's Budget as a deficiency or shall be the subject of a Special Assessment or an upward adjustment to the Individual Lot Assessment.

11.6 The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board in which the monies of the Association shall be deposited. Withdrawal of monies from such account shall be only by checks signed by such persons as are authorized by the Board.

11.7 A report of the accounts of the Association shall be made annually by an auditor, accountant or certified public accountant. The accounting records shall be made available for inspection by the Members or their authorized representative at reasonable times at the office of the Association.

12. Rules and Regulations

The Board may at any meeting of the Board adopt rules and regulations or amend, modify or rescind then existing rules and regulations for the operation of the Project, provided, however, that such rules and regulations are not inconsistent with the terms or provisions of the Association Documents. Copies of any rules and regulations promulgated, amended or rescinded shall be mailed or delivered to all Members at the last known address for such Members as shown on the records of the Association at the time of such delivery or mailing and shall not take effect until forty-eight (48) hours after such delivery or mailing.

13. Parliamentary Rules

The then latest edition of Robert's Rules of Order shall govern the conduct of meetings of all Members and the Board; provided, however, if such rules of order are in conflict with any of the Association Documents, Robert's Rules of Order shall yield to the provisions of such instrument.

14. Roster of Owners

Each Owner shall file with the Association a copy of the deed or other document showing his ownership. The Association shall maintain such information. The Association may rely on the accuracy of such information for all purposes until notified in writing of changes therein. Each Owner who mortgages his Lot shall notify the Association of the name and address of the Institutional Mortgagee. Any Owner who satisfies the mortgage encumbering his Lot shall also notify the Association thereof, and shall file a copy of the satisfaction of mortgage with the Association. The names and addresses of any such Institutional Mortgagees shall be maintained with the roster of Owners.

15. Amendment of the Bylaws

15.1 These Bylaws may be amended as hereinafter set forth in this Section 15.

15.2 After the Turnover Date, any Bylaw of the Association may be amended or repealed, and any new Bylaw of the Association may be adopted by either:

15.2.1 majority vote of the Members at any Annual Members' Meeting or any special meeting of the Members called for that purpose or by majority action of the Members who have acted by written response in lieu of a Meeting as permitted by these Bylaws; or

15.2.2 by the affirmative vote of a majority of the Directors then in office at any regular meeting of the Board or at any special meeting of the Board called for that purpose or by written instrument signed by all of the Directors as is permitted by these Bylaws, provided that the Directors shall not have any authority to adopt, amend or repeal any Bylaw if such new Bylaw or such amendment or the repeal of a Bylaw would be inconsistent with any Bylaw previously adopted by the Members.

15.3 Regardless of any other provision in this Section 15, until the Turnover Date, all amendments or modifications to these Bylaws and adoption or repeal of Bylaws shall only be made by action of the First Board as described in Section 5 of these Bylaws, which First Board shall have the power to amend, modify, adopt and repeal any Bylaws without the requirement of any consent, approval or vote of the Members.

15.4 No amendment to these Bylaws shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, notwithstanding anything to the contrary herein contained, no amendment to these Bylaws shall be effective which would prejudice the rights of a then Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Owner or Owners so affected consent to such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to these Bylaws after the Turnover Date.

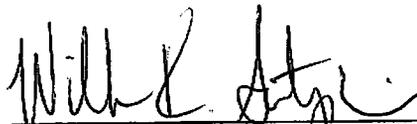
15.5 As long as the "Class B" membership exists, if the Project is subject any requirements of the Veteran's Administration, The Federal Housing Administration, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, and such agency's requirements provide that such agency shall have the right to veto any material amendments to these Bylaws, then the applicable agency shall have the right to veto any material amendments of these Bylaws.

15.6 Any instrument amending, modifying, repealing or adding Bylaws shall identify the particular section or sections affected and give the exact language of such modification, amendment or addition or of the provisions repealed. A copy of each such amendment, modification, repeal or addition attested to by the Secretary or Assistant Secretary of the Association shall be recorded amongst the Public Records of the County.

16. Interpretation

In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Protective Covenants and these Bylaws, the Protective Covenants shall control; and in the event of any conflict between the Articles and the Protective Covenants, the Protective Covenants shall control.

IN WITNESS WHEREOF, we being all the Directors of Vineyard Square Owners Association, Inc. have hereto set our hands this 16th day of June, 2003.


WILLIAM SUTPHIN


GRAY METHVEN


JOSEPH T. JENKINS

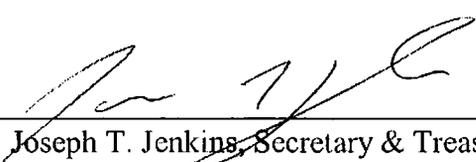
[CERTIFICATION PAGE FOLLOWS]

CERTIFICATION

I, the undersigned do hereby certify:

THAT I am the duly elected and acting Secretary of Vineyard Square Owners Association, Inc., a North Carolina nonprofit corporation, and that the foregoing Bylaws constitute the original Bylaws of the said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 16th day of June, 2003.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 16th day of June, 2003.


Joseph T. Jenkins, Secretary & Treasurer

Charleston



NORTH CAROLINA

Department of The Secretary of State

To all whom these presents shall come, Greetings:

I, **ELAINE F. MARSHALL**, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION

OF

VINEYARD SQUARE OWNERS ASSOCIATION, INC.

the original of which was filed in this office on the 12th day of December, 2002.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 12th day of December, 2002

Elaine F. Marshall

Secretary of State

22 345 5020

SOSID: 655893
Date Filed: 12/12/2002 3:18:00 PM
Elaine F. Marshall
North Carolina Secretary of State

ARTICLES OF INCORPORATION
OF
VINEYARD SQUARE OWNERS ASSOCIATION, INC.
(A North Carolina Nonprofit Corporation)

In compliance with the requirements of Chapter 55A and Chapter 47F of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a nonprofit corporation and hereby certifies as follows:

ARTICLE I
DEFINITIONS

The following words and phrases when used in these Articles of Incorporation (unless the context clearly reflects another meaning) shall have the following meanings:

1. "ADU Owner" means the owner of a leasehold interest in a Lot on which an Affordable Dwelling Unit is located pursuant to a ground lease with Orange County Housing and Land Trust for a period in excess of fifty (50) years.
2. "Affordable Dwelling Unit" or "ADU" means a Dwelling Unit located on one of the Lots described on Exhibit "C" to the Declaration.
3. "Articles" mean these Articles of Incorporation and any amendments hereto.
4. "Association" means Vineyard Square Owners Association, Inc., a North Carolina nonprofit corporation.
5. "Association Documents" mean in the aggregate the Declaration, these Articles, the Bylaws and all of the instruments and documents referred to or incorporated therein including, but not limited to, amendments to any of the foregoing, as applicable.
6. "Association Property" means the property more particularly described in Article II of the Declaration.
7. "Board" means the Board of Directors of the Association.
8. "Bylaws" mean the Bylaws of the Association and any amendments thereto.
9. "County" means Orange County, North Carolina.
10. "Declarant" means Centex Homes, a Nevada general partnership, and any successor or assign thereof, which acquires any Lot from Declarant for the purpose of development and to which Centex Homes specifically assigns all or part of the rights of Declarant hereunder by an express written assignment recorded in the Public Records of the County.

11. "Declaration" means the Declaration of Covenants, Restrictions and Easements for Vineyard Square which is intended to be recorded in the Public Records of the County, and any amendments and supplements thereto.

12. "Director" means a member of the Board.

13. "Dwelling Unit" mean a residential dwelling unit in the Project intended as an abode for one family constructed on a Lot, including an Affordable Dwelling Unit.

14. "Lot" means a portion of the Property as shown on a Final Plat (as defined in the Declaration).

15. "Member" means a member of the Association.

16. "Operating Expenses" mean the expenses for which Contributing Lot Owners (as defined in the Declaration) are liable to the Association as described in the Association Documents and includes, but is not limited to, the costs and expenses incurred by the Association in administering, operating, reconstructing, maintaining, repairing and replacing the Association Property as more particularly described the Declaration.

17. "Owner" means the owner(s) of the fee simple title to a Lot or the ADU Owner(s) of a leasehold interest in a Lot, and includes Declarant for so long as it is the owner of the fee simple title to a Lot.

18. "Project" or "Vineyard Square" means the residential community planned for development upon the Property committed to land use under the Declaration and which is intended to be comprised of, including, but not limited to, residential Lots and the Association Property located within the Property.

19. "Property" means the real property now or hereafter submitted to the terms and provisions of the Declaration.

The terms defined in the Bylaws and the Declaration are incorporated herein by reference and shall appear in initial capital letters each time such terms appear in these Articles.

ARTICLE II NAME

The name of this corporation shall be VINEYARD SQUARE OWNERS ASSOCIATION, INC., a North Carolina nonprofit corporation, whose principal and mailing address is 3739 National Drive, Suite 101, Raleigh, Wake County, North Carolina, 27612.

ARTICLE III
PURPOSES

The purpose for which this Association is organized is to take title to, operate, administer, manage, lease and maintain the Association Property in accordance with the terms of, and purposes set forth in the Association Documents and to carry out the covenants and enforce the provisions of the Association Documents.

ARTICLE IV
POWERS

The Association shall have the following powers and shall be governed by the following provisions:

A. The Association shall have and exercise any and all powers, rights and privileges which corporations organized under the provisions of the Non-Profit Corporation Act and the Planned Community Act of the State of North Carolina by law may now or hereinafter have or exercise.

B. The Association shall have all of the powers to be granted to the Association in the Association Documents. All of the provisions of the Declaration and Bylaws which grant powers to the Association are incorporated into the Articles.

C. The Association shall have all of the powers reasonably necessary to implement the purposes of the Association, including, but not limited to, the following:

1. To perform any act required or contemplated by it under the Association Documents.
2. To make, establish, amend and enforce reasonable rules and regulations governing the use of the Association Property and the Property.
3. To make, levy and collect assessments for the purpose of obtaining funds from its Members to pay Operating Expenses and costs of collection, including the operational expenses of the Association and to use and expend the proceeds of assessments in the exercise of the powers and duties of the Association.
4. To maintain, repair, replace and operate the Association Property in accordance with the Association Documents.
5. To enforce by legal means the obligations of the Members and the provisions of the Association Documents.
6. To employ personnel, retain independent contractors and professional personnel and enter into service contracts to provide for the maintenance, operation, administration and

management of the Association Property and to enter into any other agreements consistent with the purposes of the Association, including, but not limited to, granting and modifying easements for public, utility, drainage and cable television purposes, agreements with respect to professional management of the Association Property and to delegate to such professional management certain powers and duties of the Association.

7. To enter into the Declaration and any amendments thereto and instruments referred to therein.

8. To provide, to the extent deemed necessary by the Board, any and all services and do any and all things which are incidental to or in furtherance of things listed above or to carry out the Association mandate to keep and maintain the Subdivision in a proper and aesthetically pleasing condition and to provide the Owners with services, amenities, controls and enforcement which will enhance the quality of life in the Subdivision.

9. The Association shall be required to obtain the approval of three-fourths (3/4) of all Members (at a duly called meeting of the Members at which a quorum is present) prior to the payment of legal or other fees to persons or entities engaged by the Association for the purpose of suing, or making, preparing or investigating any lawsuit, or commencing any lawsuit other than for the following purposes:

- (a) the collection of assessments;
- (b) the collection of other charges which Owners are obligated to pay pursuant to the Association Documents;
- (c) the enforcement of any applicable use and occupancy restrictions contained in the Association Documents;
- (d) in an emergency where waiting to obtain the approval of the Members creates a substantial risk of irreparable injury to the Association Property or to Member(s) (the imminent expiration of a statute of limitations shall not be deemed an emergency obviating the need for the requisite vote of three-fourths (3/4) of the Members); or
- (e) filing a compulsory counterclaim.

ARTICLE V **MEMBERS AND VOTING**

Every person or entity who is a record owner of a fee or undivided fee interest in any Lot or who owns a leasehold interest in any Lot upon which an Affordable Dwelling Unit is constructed, which are subject by the Declaration to assessment by the Association, including contract sellers, shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

Membership shall be appurtenant to and may not be separated from ownership of any Lot with the exception of the Lots on which the Affordable Dwelling Units are constructed. For the Lots on which the Affordable Dwelling Units are constructed, membership shall be appurtenant to, and may not be separated from ownership of a leasehold interest in a Lot for a term in excess of fifty years. The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be as provided in the Declaration and Bylaws of the Association.

ARTICLE VI
TERM AND DISSOLUTION

The term for which this Association is to exist shall be perpetual. The Association may be dissolved only upon (i) the signed written assent of Members entitled to at least three-fourths (3/4) of the votes appurtenant to each class of Lots, and (ii) the satisfaction of all applicable provisions of the North Carolina Planned Community Act (including the affirmative approval of any higher percentage of votes attributable to the Members or each class thereof or appurtenant to each class of Lots, than the percentage specified herein as may be prescribed by the Planned Community Act). Upon dissolution, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event that such dedication is not accepted, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization devoted to similar purposes in compliance with and subject to the applicable requirements (if any) of the Planned Community Act of the State of North Carolina and all other applicable governing laws. The Association Property shall be preserved to the perpetual benefit of the owners of Lots within the Subdivision and shall not be conveyed except to the Town of Chapel Hill or another non-profit corporation organized for similar purposes.

ARTICLE VII
INCORPORATOR

The name and address of the Incorporator of these Articles are:

Megan L. Farris
5400 Glenwood Avenue, Suite 100
Raleigh, North Carolina 27612-3228

ARTICLE VIII
OFFICERS

The affairs of the Association shall be managed by the President of the Association, assisted by the Vice President(s), Secretary and Treasurer, and, if any, by the Assistant Secretary(ies) and Assistant Treasurer(s), subject to the directions of the Board.

The Board shall elect the President, Secretary and Treasurer, and as many Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board shall, from time to time, determine. The President shall be elected from amongst the membership of the Board, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, the office of President and a Vice President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

ARTICLE IX
FIRST OFFICERS

The names of the officers who are to serve until the first election of officers by the Board are as follows:

President	William Sutphin
Vice President	Gray Methven
Secretary & Treasurer	Joseph T. Jenkins

ARTICLE X
BOARD OF DIRECTORS

A. The number of Directors on the first Board of Directors of the Association ("First Board") and the "Initial Elected Board" (as hereinafter defined) shall be three (3). The number of Directors elected by the Members subsequent to the "Declarant's Resignation Event" (as defined in the Bylaws) shall be not less than three (3) nor more than five (5), as the Board shall from time to time determine prior to each meeting at which Directors are to be elected, but in any event these shall always be an odd number of Directors. Except for Declarant-appointed Directors, Directors must be Members or the parents, children or spouse of Members. There shall be one (1) vote for each Director.

B. The names and addresses of the persons who are to serve as Directors on the First Board are as follows:

NAMES	ADDRESSES
William Sutphin	3739 National Drive, Suite 101 Raleigh, North Carolina 27612
Gray Methven	3739 National Drive, Suite 101 Raleigh, North Carolina 27612
Joseph T. Jenkins	3739 National Drive, Suite 101 Raleigh, North Carolina 27612

Declarant reserves the right to replace and/or designate and elect successor Directors to serve on the First Board for so long as the First Board is to serve, as hereinafter provided.

C. Declarant anticipates the Subdivision will ultimately contain an aggregate of one hundred ninety one (191) Lots. The number of Lots is subject to change if the "Site Plan" (as defined in the Declaration) is modified as provided in the Declaration. For the purposes hereof, the term "Total Planned Lots" shall mean 191 Lots, as such number may be adjusted to reflect changes in the Site Plan. As provided in the Declaration, the "Turnover Date" means the earlier of (i) the date upon which seventy-five percent (75%) of the Total Planned Lots have been improved with a Home and conveyed to an Owner other than a successor Declarant for use as a primary residence, (ii) the date on which Declarant records in the Public Records a document relinquishing its control of the Association to the members at large, or (iii) the date that is seven (7) years following the date the Declaration are first recorded in the Public Records.

D. Upon the Turnover Date, the Members other than Declarant ("Purchaser Members") shall be entitled to elect not less than a majority of the Board. The election of the Board by the Purchaser Members and if applicable, the designation of Directors shall be conducted in accordance with the Bylaws.

ARTICLE XI **BYLAWS**

The Bylaws shall be adopted by the First Board, and thereafter may be altered, amended or rescinded in the manner provided for in the Bylaws. In the event of any conflict between the provisions of these Articles and the provisions of the Bylaws, the provisions of these Articles shall control.

ARTICLE XII **AMENDMENTS**

A. Prior to the conveyance by Declarant of a Lot to an Owner, these Articles may be amended only by an instrument in writing signed by the incorporator of these Articles and filed in the Office of the Secretary of State of the State of North Carolina.

B. Until the Turnover Date, all amendments or modifications to these Articles and adoption or repeal of Bylaws shall only be made by action of the First Board as described herein, which First Board shall have the power to amend or modify these Articles and to amend, modify, adopt and repeal any Bylaws without the requirement of any consent, approval or vote of the Members.

As long as there is a "Class B" membership, the following actions require the prior written approval of the Federal Housing Administration ("FHA") and if applicable, the Veteran's Administration: annexation of additional properties, mergers and consolidations, mortgaging or

dedication of the Association Property, dissolution and amendment to these Articles, except for an amendment to correct errors or omissions, or required by any "Institutional Mortgagee" (as such term is defined in the Declaration) so that such Institutional Mortgagee will make, insure or guarantee mortgage loans for the Lots, or is required by any governmental authority. Such approval shall be deemed given if FHA/VA fails to give written notice of its disapproval of any such action to Declarant or the Association within twenty (20) days after a request for such approval is delivered to FHA/VA by certified mail, return receipt requested, or equivalent delivery, and such approval may be conclusively evidenced by a certificate of Declarant or the Association that the approval was given or deemed given.

C. After the Turnover Date, these Articles may be amended in the following manner:

1. The Board shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the Members, which may be at either the Annual Members' Meeting or a special meeting. Any number of proposed amendments may be submitted to the Members and voted upon by them at one meeting.

2. Written notice setting forth the proposed amendment or a summary of the changes to be effected thereby shall be given to each Member within the time and in the manner provided in the Bylaws for the giving of notice of meetings ("Required Notice").

3. At such meeting, a vote of the Members shall be taken on the proposed amendment(s). The proposed amendment(s) shall be adopted upon receiving the affirmative vote of the Members entitled to cast two-thirds ($\frac{2}{3}$) of the votes of the Members.

4. An amendment may be adopted by a written statement (in lieu of a meeting) signed by all Members and all members of the Board setting forth their intention that an amendment to the Articles be adopted.

D. These Articles may not be amended without the written consent of a majority of the members of the Board.

E. These Articles shall not be amended in any manner which shall prejudice the rights of: (i) Declarant, without the prior written consent thereto by Declarant, for so long as Declarant holds at least one (1) Lot for sale in the ordinary course of business; and (ii) any Institutional Mortgagee without the prior written consent of such Institutional Mortgagee.

F. No amendment to these Articles shall be adopted which shall abridge, amend or alter the rights of Declarant hereunder including, but not limited to, Declarant's right to designate and select members of the First Board or otherwise designate and select Directors as provided in Article X hereof and in the Bylaws, nor shall any amendment be adopted or become effective without the prior written consent of Declarant.

G. Any instrument amending these Articles shall identify the particular article or articles being amended and shall provide a reasonable method to identify the amendment being made. A certified copy of each of such amendment shall be attached to any certified copy of these Articles.

ARTICLE XIII
REGISTERED OFFICE AND REGISTERED AGENT

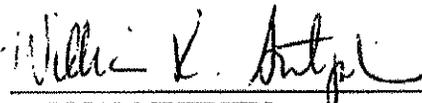
The street address of the initial registered office of the Association is 3739 National Drive, Suite 101, Raleigh, Wake County, North Carolina, 27612, and the initial registered agent of the Association at that address shall be Michael Reynolds.

9th IN WITNESS WHEREOF, I, the undersigned incorporator have hereunto set my hand this day of December, 2002.

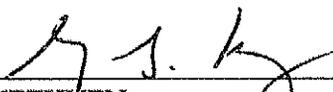


Megan L. Farris

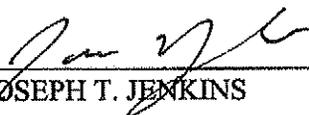
IN WITNESS WHEREOF, we being all the Directors of Vineyard Square Owners Association, Inc. have hereto set our hands this 9th day of December, 2002.



WILLIAM SUTPHIN INCORPORATOR



GRAY METHVEN INCORPORATOR



JOSEPH T. JENKINS INCORPORATOR

N:\DIVISION\RALEIGH\Homestead Rd(Vineyd Sq)\HOADocs\articles-2nddraft.doc