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COMMUNITY CHARTER

FOR

AUTUMN HALL RESIDENTIAL COMMUNITY

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**COMMUNITY CHARTER
FOR
AUTUMN HALL RESIDENTIAL COMMUNITY**

PREAMBLE

This Community Charter ("**Charter**") establishes a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance, and preservation of residential properties within Autumn Hall ("**Autumn Hall**"), a mixed-use, master planned community. An integral part of the development plan is the formation of Autumn Hall Community Association, Inc. (the "**Association**"), a not-for-profit corporation, to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Charter and the other Governing Documents referenced in this Charter.

DECLARATION OF COVENANT

The property described in Exhibit "A" and any additional property made subject to this Charter in the future by amendment or supplement shall constitute the "**Residential Community**," as referred to in this Charter. This Charter shall run with the title to such property, shall govern the development and use of such property, and shall be binding upon Autumn Hall, Inc. (with its successors and assigns, the "**Founder**"), and the future owners of any portion of the Residential Community, their respective heirs, successors, successors-in-title, and assigns, and any other person or entity that now or hereafter has any legal, equitable, or beneficial interest in any portion of the Residential Community. This Charter shall also be binding upon Autumn Hall Community Association, Inc., its successors and assigns.

PART ONE: INTRODUCTION TO THE COMMUNITY

To accomplish great things, we must not only act, but also dream; not only plan, but also believe.

Anatole France

Chapter 1

Governing Documents

A community is guided and governed by certain principles that each owner and resident, by choosing to own property or reside in the community, agree to uphold. Those principles are set forth in the community's governing documents, which serve as a tie that binds the community together, give it structure, and provide guidance to all who participate in its growth and evolution.

1.1. Scope and Applicability

The Residential Community has been established and is administered pursuant to various documents that have a legal and binding effect on

all owners and occupants of property in the Residential Community, as well as on anyone else that may now or in the future have an interest in any portion of the property comprising the Residential Community. Such documents, referred to in this Charter as the "**Governing Documents**," include this Charter and the other documents described in Table 1.1, as they may be amended. All owners and occupants, as well as their tenants, guests, and invitees, are required to comply with the Governing Documents.

GOVERNING DOCUMENTS	
Community Charter: (recorded)	this Community Charter for Autumn Hall Residential Community, which creates obligations that are binding upon the Association and all owners of property in Autumn Hall
Supplement: (recorded)	a recorded Supplement to this Charter, which may submit additional property to this Charter, create easements over the property described in the Supplement, impose additional obligations or restrictions on such property, designate special areas as described in Chapter 3, or any of the foregoing
Articles of Incorporation: (filed with Secretary of State)	the Articles of Incorporation of Autumn Hall Community Association, Inc., as they may be amended, which establish the Association as a not-for-profit corporation under North Carolina law
By-Laws: (attached as Exhibit "D")	the By-Laws of Autumn Hall Community Association, Inc., as they may be amended, which govern the Association's internal affairs, such as voting, elections, meetings, etc. A copy of the By-Laws is attached as Exhibit "D."
Design Guidelines: (Founder adopts)	the design standards and architectural and aesthetics guidelines adopted pursuant to Chapter 5, as they may be amended, which govern new construction and modifications to Units, including structures, landscaping, and other items on Units
Rules: (initial set attached as Exhibit "C")	the rules of the Association adopted pursuant to Chapter 7, which regulate use of property, activities, and conduct within the Residential Community
Board Resolutions: (Board adopts)	the resolutions which the Board adopts to establish rules, policies, and procedures for internal governance and Association activities and to regulate the operation and use of property which the Association owns or controls

Table 1.1 - Governing Documents

Governing Documents

1.2. Additional Covenants

During the Development and Sale Period (as defined in Section 2.1), no Person may impose additional covenants on any property within the Residential Community without the Founder's approval. Thereafter, the Board must approve any additional covenants. If the provisions of any such additional covenants are more restrictive than the provisions of this Charter, the more restrictive provisions control. The Association shall have standing and the power, but not the obligation, to enforce any such additional covenants.

1.3. Conflicts

If there are conflicts between any of the Governing Documents and North Carolina law, North Carolina law shall control. If there are conflicts between or among any of the Governing Documents, then the Charter, the Articles, and the By-Laws (in that order) shall control. If there is a conflict between the Governing Documents and any additional covenants recorded on any property within the Residential Community (or the rules or policies adopted pursuant to any such additional covenants), the Governing Documents shall control.

The Governing Documents use diagrams, tables, and keynotes (text set apart in boxes with "key" icons) to illustrate concepts and assist the reader. If there is a conflict between any diagram and the text of the Governing Documents, the text shall control.

Space has been set aside throughout this Charter to allow the reader to make notes. Any such notes are not part of this Charter and have no legal or binding effect.

If any court determines that any provision of this Charter is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision in other instances.

1.4. Definitions

Capitalized terms used in the Governing Documents have the meaning described in the paragraph where they first appear in bold print. An index to defined terms may be found immediately following the table of exhibits to this Charter. All other terms used in the Governing Documents have their natural, commonly accepted definitions.

1.5. Interpretation of Certain References

Community-Wide Standard. Where the Governing Documents require compliance with the "**Community-Wide Standard**," the standard to be applied is the highest of: (a) the standard of use, conduct, architecture, landscaping, or aesthetic matters generally prevailing in the Residential Community, or (b) the minimum standards described in this Charter, the Design Guidelines, the Rules, and Board resolutions. The Community-Wide Standard may contain objective elements, such as specific maintenance requirements, and subjective elements, such as matters subject to the discretion of the Board or the Reviewer (as defined in Chapter 5) discretion. The Community-Wide Standard may or may not be set out in writing. The Founder initially shall establish such standard; however, the Community-Wide Standard may evolve as development progresses and as Autumn Hall matures.

Consent or Approval. All references in the Governing Documents to "**consent**" or "**approval**" shall refer to permission or approval, which unless otherwise expressly qualified in the specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

Discretion and Determination. All references in the Governing Documents to "**discretion**" or to the right to "determine" any matter shall refer to the sole and absolute power or right

Governing Documents

to decide or act. Unless otherwise expressly limited in the Governing Documents or by law, any one authorized in the Governing Documents to exercise its discretion or make a determination may do so without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action, or inaction.

Maintenance. Unless otherwise specifically provided, all references in this Charter to "**maintenance**" shall refer to maintenance, repair, and replacement.

Person. References in the Governing Documents to a "**Person**" or "**Persons**" shall refer to an individual, a corporation, a partnership, a limited liability company, or any other legal entity.

Recording. All references in the Governing Documents to a "**recorded**" legal instrument, or to recordation or the recording of a legal instrument, shall refer to an instrument filed or the filing of a legal instrument in the official public records of New Hanover County, or such other place designated as the official location for filing documents affecting title to real estate in New Hanover County in order to make them a matter of public record.

NOTES

Chapter 2

Community Administration

Vibrant communities depend upon all of their stakeholders working together to uphold community standards and achieve the vision and goals for the community. The Founder, the Association, the Master Organization, the owners, the builders, and others have a role in the functioning of the Residential Community and in helping to fulfill that vision. This Chapter identifies these stakeholders and describes their roles in administering the Residential Community.

2.1. The Founder

The Founder has established the vision for Autumn Hall and, through the Governing Documents, has set forth the founding principles that will guide the Residential Community during the initial period of development and sale and thereafter. The Founder's proposed plan for development of the Community is described in the land use plan(s) for Autumn Hall approved by the City of Wilmington or New Hanover County, as may be supplemented and amended, which encompasses all of the property described in Exhibit "A" and all or a portion of the property described in Exhibit "B" (the "**Master Plan**"). However, the Founder is not obligated to submit property shown on the Master Plan to this Charter. In addition, the Founder may submit property to this Charter that is not shown on the Master Plan.

The Founder has reserved various rights in the Governing Documents with respect to development and administration of the Residential Community, which the Founder may exercise throughout the "**Development and Sale Period**." The Development and Sale Period is the period of time during which the Founder or any "Founder Affiliate" owns real property in the Residential Community or has an unexpired option to expand the Residential Community pursuant to Chapter 17. A "**Founder Affiliate**"

is any Person that controls, is controlled by, or is under common control with the Founder, and any Person that is an owner, a member, a partner, or a shareholder of the Founder.

The "**Founder Control Period**" is the period of time during which the Founder may appoint at least a majority of the members of the Association's board of directors ("**Board**"). The Founder Control Period begins on the date of the Association's incorporation and terminates upon the first of the following to occur:

(a) when 90% of the total number of Units permitted by applicable zoning for the property described in the Master Plan have certificates of occupancy issued thereon and have been conveyed to persons other than builders holding title for purposes of construction and resale;

(b) December 31, 2030; or

(c) when, in its discretion, the Founder so determines and declares in a recorded instrument.

The Founder has certain approval rights for a limited period as provided in the By-Laws after the termination of the Founder Control Period.

The Founder may assign its status and rights as the Founder under the Governing Documents to any person who takes title to any portion of the property described in Exhibit "A" or "B" for the purpose of development and/or sale. Such assignment shall be made only in a recorded instrument signed by both parties.

2.2. The Association

The Founder has established the Association as the primary entity responsible for administering the Residential Community in accordance with

Community Administration

the Governing Documents. The Association may exercise all rights and powers which the Governing Documents and North Carolina law expressly grant to it, as well as any rights and powers that may reasonably be implied under the Governing Documents. It may also take any action reasonably necessary to effectuate any such right or privilege.

2.3. The Board

On most matters, the Association acts through the Board. However, in some instances the Governing Documents or applicable law limit the Board's ability to act without the approval of the Association's members. Unless the Governing Documents or North Carolina law specifically provide otherwise, the Board may exercise the Association's rights and powers without a vote of the membership.

The Board *may* institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, as defined in Section 3.1, enforcement of the Governing Documents, or any other civil claim or action. However, the Board has no legal *duty* to institute litigation or any other proceeding on behalf of or in the name of the Association or its members.

In exercising the Association's rights and powers, making decisions on the Association's behalf (including, without limitation, deciding whether to file a lawsuit or take other legal action under any circumstances) and conducting the Association's affairs, Board members and the Association's officers are required to comply with, and shall be judged by, the standards set forth in the By-Laws.

2.4. The Owners

Each Person that holds record title to a Unit, as defined in Section 3.1, including any Builder

(as defined in Section 2.5) holding title to a Unit, is referred to in the Governing Documents as an "**Owner.**" However, a Person who holds title merely as security for the performance of an obligation (such as a lender holding a mortgage or similar security instrument) is not considered an "Owner." If a Unit is sold under a recorded contract of sale, and the contract specifically so states, the purchaser (rather than the holder of fee simple title) will be considered the Owner. If a Unit has more than one Owner, all co-Owners are jointly and severally obligated to perform the responsibilities of the Owner under the Governing Documents.

Every Owner, has a responsibility to comply with the Governing Documents and uphold the community standards described in Part Two of this Charter and is responsible for ensuring such compliance by his or her contractors, guests, and invitees,. Each Owner also has an opportunity to participate in the administration of the Residential Community through membership in the Association and through service to the Residential Community in various committee and leadership roles, as described in Chapters 3 and 4 and in the By-Laws.

2.5. Builders

Much of the responsibility and credit for helping to create Autumn Hall rests with the "**Builders**" -- those Persons who purchase one or more lots or parcels of land within the Residential Community for further subdivision or development and resale in the ordinary course of their business. Builders have the same privileges and responsibilities as Owners during the time that they own Units for construction and resale, including the privileges of membership in the Association. In addition, the Founder may extend any of the rights it has reserved under the Governing Documents with respect to development, marketing, and sale of property in the Residential Community to such Builders as it may designate.

Community Administration

The Founder or the Association may establish and maintain an "**Approved Builder Program**" for Autumn Hall, whereby only approved builders are permitted to construct certain Improvements within Autumn Hall. Those Improvements subject to the Approved Builder Program shall include new construction of dwellings and the re-construction of dwellings following the demolition of all or substantially all of a previously constructed dwelling on a Unit, as may be more specifically set forth in the Design Guidelines.

Until termination of the Development and Sale Period or such earlier time as the Founder may determine, the selection of approved builders is solely within the Founder's discretion. Thereafter, the selection of approved builders is solely within the Board's discretion. Builders may be added to or deleted from the list of approved builders from time to time. Improvements constructed within Autumn Hall that are required to be constructed by an approved builder must be done by an approved builder and in accordance with the Design Guidelines, or such Improvements shall be deemed to be in violation of this Chapter 5.

2.6. Neighborhood Associations

Portions of the Residential Community may be developed under a condominium form of ownership or may have particular characteristics that lead the Builder to establish a separate condominium or homeowners association to administer additional covenants applicable to that particular area ("**Neighborhood Association**"). However, nothing in this Charter requires the creation of a Neighborhood Association, and the jurisdiction of any Neighborhood Association shall be subordinate to that of the Association. Any portion of the Residential Community subject to a Neighborhood Association is referred to as a "**Neighborhood.**"

Any Neighborhood Association shall be responsible for administering the additional cove-

nants applicable to the property within its jurisdiction and for maintaining, in accordance with the Community-Wide Standard, any property which it owns or which its covenants designate as being for the common benefit of its members.

2.7. Mortgagees

If a Unit is made subject to a mortgage or other form of security instrument affecting title to a Unit ("**Mortgage**"), then the holder or beneficiary of that Mortgage ("**Mortgagee**") also has an interest in the administration of the Residential Community. The Governing Documents contain various provisions for the protection of Mortgagees, including those set forth in Chapter 16.

2.8. Autumn Hall Master Organization, Inc.

Autumn Hall Master Organization, Inc. ("**Master Organization**") has been or shall be created by the Founder as a vehicle for overseeing the maintenance and expenses associated with areas shared by, or other uses benefiting, all property owners within Autumn Hall. The Founder's intention is for the Association and the Master Organization to work together and cooperate in performing their complimentary roles within Autumn Hall. The Master Organization's affairs shall be administered by its board of directors ("**Master Board**"). The Master Organization and the Master Board shall have the rights and responsibilities described in the Master Organization's by-laws and articles of incorporation and in the Master Community Covenant for Autumn Hall ("**Community Covenant**"). The Association and all Owners shall be subject to the Community Covenant and to the Master Organization's jurisdiction notwithstanding that the Community Covenant may be recorded after this Charter. In the event of a conflict between the Governing Documents and the Master Organization's governing documents with respect to the Master Organization's rights and responsibili-