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**DECLARATION OF  
COVENANTS, RESTRICTIONS, AND EASEMENTS  
FOR  
BELCREST**

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**Exhibit A**      Legal Description of the Property

**Exhibit B**      Development Plan for the Project

**DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS  
FOR  
BELCREST**

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR BELCREST (“Declaration”) is made this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by BELCREST DEVELOPERS, LLC, a North Carolina limited liability company (“Declarant”).

OVERVIEW

Declarant is the owner of the real property described on Exhibit “A” (the “Project Land”) and plans to create a residential community on the Project Land (the “Project”) in multiple stages. Declarant desires to establish covenants, conditions, restrictions and easements for the Project to provide for the efficient administration, operation and maintenance of facilities, infrastructure, amenities and services which will benefit the Project.

Accordingly, a North Carolina non-profit corporation known as the Belcrest Owners Association, Inc., has been created to exercise certain rights and obligations in this Declaration with respect to the Project Land, whose membership shall be comprised of the owners of residential dwellings in the Project.

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Declarant hereby declares that the Project Land (as hereinafter defined) 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 Project Land and any part thereof and which shall be binding upon all parties having any right, title or interest in the Project Land or any part thereof.

ARTICLE 1  
EXHIBITS

The following exhibits are attached to and made a part of this Declaration:

<u>Exhibit A</u>	Legal Description of the Project Land
<u>Exhibit B</u>	Development Plan for the Project

ARTICLE 2  
DEFINITIONS

“Additional Land” means any real property that may be subjected to the terms of this Declaration as provided in Article 12.

“Amendment(s)” mean(s) any and all amendments to this Declaration.

“Articles” mean the Articles of Incorporation of the Association.

“Assessment(s)” means a payment which a Residential Owner is obligated to pay to the Association as permitted or contemplated by the Association Documents.

“Association” means Belcrest 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, as they may be amended from time to time.

“Association Property” means any lands, systems, facilities, personal property, equipment, rights and easements which may be deeded, leased, granted, reserved, assigned or transferred to the Association, as described in this Declaration, together with all improvements thereon and equipment, facilities and rights associated therewith.

“Board” means the Board of Directors of the Association.

“Builder” means Centex Homes, a Nevada general partnership.

“Bylaws” mean the Bylaws of the Association.

“City” means the City of Durham, Durham County, North Carolina.

“Committee” means the Architectural Control Committee for the Project established and empowered as provided in Article 10 of this Declaration.

“County” means Durham County, North Carolina.

“Declarant” means Belcrest Developers, LLC, a North Carolina limited liability company, and any successor or assign to which Belcrest Developers, LLC specifically assigns all or part of the rights of Declarant by an express written assignment recorded in the Public Records.

“Declaration” means this document, as it may be amended or supplemented from time to time.

“Deficit” means the difference between the Operating Expenses incurred by the Association during a fiscal year of the Association occurring within the Deficit Funding Period, and the applicable Base Assessments payable by the Residential Owners as provided in Article 6.

“Deficit Funding Period” means the period during which Declarant shall fund the Deficit, as more particularly described in Article 6.

“Director” means a member of the Board.

“Entrance Facilities” means any Project entrance monuments or features, together with all related landscaping, signage, irrigation, and other ancillary improvements constructed as part of such entrance feature(s).

“Existing Storm Water Agreement” means that certain Storm Water Facility Agreement and Covenant” entered into between Declarant and the City as recorded in Book 5725, Page 748 of the Public Records.

“Final Plat” means a final record plat approved by the City for all or a portion of the Project Land and recorded in the Public Records.

“Governmental Authorities” means the federal government, the State of North Carolina, the County of Durham, the City of Durham, and any agency or instrumentality of them having jurisdiction over the Project Land or any portion thereof.

“Improvement” means any structure or improvement which is constructed, made, installed, attached, placed or developed within or upon any portion of the Project Land, including but not limited to any building, fence, wall, patio area, driveway, walkway, antenna, satellite dish, sign, mailbox, pool, tennis court, deck, or any change, alteration, addition or removal of any such structure or improvement.

“Institutional Mortgagee” means any lending institution holding an interest in a Living Unit or Lot pursuant to a first mortgage covering a Living 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”), HUD, and similar entities), (iii) Declarant, if Declarant holds a mortgage on any portion of the Project Land.

“Interest” means the rate of twelve percent (12%) per annum, provided that Interest shall not be greater than the maximum interest rate allowed by law on the specific debt or payment obligation on which such Interest accrues.

“Legal Fees” mean reasonable fees for attorney and paralegal services and court costs incurred in connection with any pending or active litigation, claims or other forms of legal action, including the collection of past due Assessments.

“Living Unit” means each individual single-family residential dwelling unit in the Project, and includes the Lot upon which a Living Unit is constructed.

“Lot” means a portion of the Project Land shown on a Final Plat as a delineated parcel of land upon which a single-family Living Unit is permitted to be erected, and includes any Living Unit which may be constructed thereon.

“Member” means a member of the Association.

“Operating Expenses” mean the expenses for which Residential Owners are liable to the Association as described in Article 6 and the Association Documents.

“Owner” means the owner of fee simple title to a Lot or a Living Unit, including Declarant and Developer.

“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.

“Pond” means a portion of the Project Drainage System shown on the Site Plan or a Final Plat as a delineated parcel of real property that contains all or any portion of a stormwater constructed wetland, lake, pond, lagoon, retention or detention area, or similar body of water.

“Project” means Belcrest, the residential community to be constructed upon the Project Land.

“Project Land” means the real property described on Exhibit A, and any additions thereto of Additional Land made subject to this Declaration as provided in Article 12.

“Public Records” means the Register of Deeds Office of Durham County, North Carolina, or such other authorized County office in which deeds and other land records and documents are filed for public notice.

“Residential Owner” means the owner of fee simple title to a Living Unit or Lot (but does not include Declarant or Builder with regard to Assessments payable to the Association during the Deficit Funding Period).

“Site Plan” means the site development plan for the Project approved by the appropriate Governmental Authorities, as such may be supplemented or amended from time to time, the current version of which is attached as Exhibit B.

“Total Planned Units” means the total number of Living Units planned for the Project by the Site Plan as may be modified from time to time with the approval of the City, which currently is 52 Living Units.

“Turnover Date” means the earlier of (i) the date when ninety percent (90%) of the Total Planned Units have been conveyed to a Residential Owner, or (ii) the date on which Declarant records in the Public Records a document relinquishing its control of the Association to the Members.

ARTICLE 3  
PLAN OF DEVELOPMENT

Currently, Declarant plans that a total of 52 Living Units shall be included in the Project, which number is subject to change as development of the Project Land progresses. Declarant may add and develop Additional Project Land as part of the Project in accordance with Article 12. Declarant’s general plan of development for the Project Land contemplates the construction of Living Units thereon and, further, that various Improvements will be constructed on other portions of the Project which will enhance the Project and benefit the Residential Owners, however there is no obligation imposed by this Declaration on the Declarant to build a Living Unit on any particular Lot or portion of the Project Land. The general plan of development further contemplates that such Living Units shall be whatever types of structures Declarant may choose, subject to the applicable zoning and density requirements of the applicable Governmental Authorities and to all other applicable laws and regulations. The general plan of development for the Project 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 Project. Declarant reserves the right to increase or decrease the number of Lots or Living Units reflected and/or permitted by the Site Plan as approved by the City in accordance with applicable law, and such change shall not require an amendment to this Declaration.

ARTICLE 4  
ASSOCIATION PROPERTY

A. Association Property. The Association Property, shall be for the exclusive use, enjoyment, and benefit of the Association and the Residential Owners, the residents of the Project, and their respective guests and invitees, tenants, and subject to the ordinances of the City and other applicable Governmental Authorities, and any other Person authorized to use the Association Property or any portion thereof by Declarant or the Association. The Association Property includes, but is not limited to, the specific items described in this Article 4.

B. Residential Streets. Those portions of the Project Land shown on a Final Plat as a right of way for vehicular access and all Improvements thereon (the “Residential Streets”) shall be dedicated and conveyed to the City for use by the public. Until Declarant dedicates a Residential Street or portion thereof to the City, there is hereby reserved and granted to the Governmental Authorities, a non-exclusive easement across such Residential Street or portion thereof for all governmental purposes including, but not limited to: police and fire protection, garbage collection, mail delivery, building inspection, and all other available public services. The Association shall have no responsibility for the maintenance of the Residential Streets, but shall have the right and not the obligation, to provide supplemental maintenance together with the City and other applicable Governmental Authority, as the Board may determine in its sole discretion.

C. Entrance Facilities. The Association shall maintain, at the Association’s sole cost, the Entrance Facilities, including repair and replacement if any such Improvements are damaged or destroyed. The Association shall maintain such Improvements in a state of good repair and in conformity with the standards maintained in developments of a similar nature and quality as the Project. Notwithstanding the foregoing, the Association shall have the right, at any time, to modify the Entrance Facilities by reducing the amount of landscaping material to be maintained or by changing the type or density of any such landscaping material. To the extent any Entrance Facilities are located on a Lot an easement is reserved in favor of the Association, Builder, and Declarant over and upon the applicable portion of the Lot as provided in Section B of Article 8.

D. Project Drainage System. The Project Drainage System shall be kept, repaired, replaced, and maintained by the Association. The Association shall use and maintain those portions of the Project Drainage System owned or

controlled by the Association substantially in the same fashion as constructed by Declarant and in accordance with the applicable requirements of the City and other applicable Governmental Authorities.

The Pond is a portion of the Project Drainage System and is subject to the provisions of the Existing Storm Water Agreement. Declaration shall convey the Pond to the Association following Declarant's completion of all Improvements required to be made to the Pond by the City, and the Association shall be obligated to accept such conveyance and the deed by which Declarant conveys the Pond to the Association. Upon the conveyance of the Pond to the Association, the Association shall be obligated to maintain the Pond in accordance with all applicable requirements of the City and other applicable Governmental Authorities having jurisdiction over the Pond, including the applicable maintenance requirements specified in the Existing Storm Water Agreement, which shall be set forth in a new agreement (the "Association Storm Water Agreement") to be entered into between the Association and the City.

Following Declarant's conveyance of the Pond to the Association, the Association shall enter into the Association Storm Water Agreement which will replace the Existing Storm Water Agreement, in the form approved and in use by the City at the time. Declarant shall deliver such agreement to the City as required by paragraph 3 (a) of the Existing Storm Water Agreement. If required by the City, the Association shall take the necessary actions reasonably required to allow the City to release any bond or other security posted by Declarant in connection with the Existing Storm Water Agreement, provided however, that the Association shall have no obligation under the Association Storm Water Agreement or otherwise to pay any "stormwater replacement fee" which may be required by the City either when Declarant transfers the Pond to the Association or prior to the issuance of a certain number of certificates of occupancy for the Living Units in the Project. To the extent permitted by applicable law, the Association shall not enter into voluntary dissolution unless the entity or Person to whom the Pond is transferred has assumed the Association's obligation in the Association Storm Water Agreement or has entered into a replacement agreement with the City for the Pond.

The City has the right to inspect the Pond and to notify the responsible party (the fee simple owner of the Pond at the time) of any maintenance or repair that the City reasonably determines to be necessary or required for the Pond. If the responsible party fails to perform the required maintenance or work within 30 days following the responsible party's receipt of the City's notice of the required maintenance or work, the City has the right to perform the work and recover the City's costs for doing the work from the responsible party. If the Association is the responsible party, and if the Board determines that there is a lack or shortage of available funds to cover the cost to repay the City, the Board shall impose a Special Assessment pursuant to Section D.2 of Article 6. The estimated costs for routine maintenance of the Pond shall be an Operating Expense and included in the Budget for each fiscal year of the Association. The Association shall also maintain a separate reserve account for the funds necessary for the reconstruction, replacement, or major repair of the Pond as provided in Section Q.13 of Article 6.

E. Buffers and Landscape Areas. Any portion of the Project Land shown on a Final Plat as a landscape area, landscape easement, buffer, perimeter protective yard, or otherwise established to provide a landscaped or natural area buffer between the Living Units and a public street or adjoining properties ("Buffer Area") shall be used and maintained by the Association either substantially in the same fashion as constructed by Declarant, or in its natural state as required by the zoning and development regulations of the applicable Governmental Authorities. To the extent that any portion of a Buffer 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 Article 8, and no Residential Owner shall perform or allow any land-disturbing activity, removal of vegetation, encroachment, construction or erection of any Improvements within any portion of such Residential Owner's Lot contained within a Buffer Area, except with the approval of the Committee and if applicable, the City and any other Governmental Authorities having jurisdiction over the Buffer Areas in the Project.

F. Open Space. Open Space and any Improvements installed thereon shall be owned, used and maintained by the Association in substantially the same fashion as installed and constructed by Declarant or Builder and in accordance with any applicable City or County requirements. There may be Ponds, Buffers, Entrance Facilities, tree save areas, river

buffers or wetlands located within portions of the Open Space, which areas may or may not be shown or designated on a Final Plat.

G. Pedestrian Trail. Any portion of the Open Space shown on the Site Plan or a Final Plat as pedestrian trail or walking trail shall be used for pedestrian use ("Pedestrian Trail") in accordance with any applicable Rules and Regulations published by the Board. The Pedestrian Trail and any Improvements thereon shall be owned, used and maintained by the Association in substantially the same fashion as installed and constructed by Declarant and in accordance with any applicable City requirements.

H. Declarant's and Builder's Rights to Use Association Property. Declarant hereby expressly reserves the right of Declarant and Builder to use the Association Property, the Lots and the unsold Living Units in connection with the sale and marketing by Declarant or Builder of Living Units or Lots in the Project, including, but not limited to, the holding of sales and marketing meetings, sales promotions and related activities.

I. Conveyance of Association Property. The Association Property shall be conveyed to the Association for ownership. All real property designated as Association Property on a Final Plat or otherwise identified herein or by Declarant as Association Property, will be conveyed to the Association by deed or by easement. All personal property or interests in personal property shall be conveyed to the Association by bill of sale or by delivery of possession to the Association. 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 Project shall be effectuated no later than the conveyance by Declarant of the first Lot shown on the Final Plat for such portion of the Project to Builder. Upon completion of any Improvements thereon or thereto by Declarant or Builder, the Association will immediately become responsible for all maintenance, repair and replacements therefore, the operation thereof and such additional construction of Improvements as may be authorized by the Board. It is the intent of this provision to provide that the Association will be responsible for all maintenance of Association Property when Improvements thereto have been completed, notwithstanding that Declarant may not have conveyed such properties to the Association and continues to hold title thereto. Any such conveyance by the Declarant will be conveyed subject to all restrictive covenants filed in the Public Records at the time of conveyance, and the following:

1. The right of access of Declarant, Builder, and their successors and assigns, over and across such property; and
2. The right of the Declarant, the Committee, the Association, as applicable, to approve all structures, construction, repairs, changes in elevation and topography and the location of any object (including vegetation) within the Association Property prior to the commencement of such activities or location of any object therein;
3. All utilities and drainage easements, including but not limited to, the easements referred to in Section B of Article 8; and
4. All reserved rights set forth in this Declaration.

Declarant will not be required to so convey the Association Property where such conveyance would be prohibited under agreements to which Declarant is a party on the date of establishment of such Association Property, but, in such case, Declarant will be allowed to postpone such conveyance, without a penalty, until such time as said prohibition terminates, is released or is nullified.

The Association Property may not be mortgaged or conveyed by the Association without (i) the approval of at least eighty percent (80%) of the Members, and (ii) compliance with and satisfaction of the applicable provisions of the Planned Community Act (if any), including the affirmative approval of any other 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. Easements granted or permitted in the Association Property and, as long as the land area of the Association Property is not materially reduced, conveyances for the purpose of eliminating encroachments or making minor necessary boundary adjustments shall not be considered to be a conveyance of such Association Property and shall not require the approval or consent of the Members or any other party or Person except if required by the City, the approval of the City.

In consideration of the benefits accruing to the Association and to the Members under this Declaration and in consideration of the covenants and agreements of the Declarant hereunder, the Association hereby agrees to accept title to any property, or to any interest in property, now or hereafter conveyed to it pursuant to the terms and conditions of this Declaration. Upon the due recording of a deed, easement, lease or other instrument or memorandum of conveyance to the Association filed in the Public Records, title or such other interest in property conveyed will vest in and to the Association without the necessity of any further act, deed or approval of any person, including the grantor, lessor and/or Association.

J. Rules and Regulations. The Association shall be entitled to adopt and enforce reasonable rules and regulations related to the use and operation of the Association Property. All users of the Association Property shall be subject to comply with such rules and regulations, provided any such rules and regulations are not applied or enforced in a discriminatory manner. Enforcement of such rules and regulations can include the right to prohibit use, deny access to facilities, and suspend voting rights of Members for material violations. The rules and regulations so promulgated shall, in all respects, be consistent with the provisions of the Association Documents.

#### ARTICLE 5 ASSOCIATION MEMBERSHIP AND GOVERNANCE

A. Membership. Every Owner, including Declarant and Builder, of a Lot or Living Unit will be a Member of the Association. Ownership of a Lot or a Living Unit will be the sole qualification for such membership. If fee title to a Lot or a Living Unit is transferred or otherwise conveyed, the membership in the Association which is appurtenant thereto will automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include any Persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest will not terminate or otherwise affect an Owner's membership in the Association.

B. Voting Rights. The Association will have two (2) types of voting memberships which are as follows:

1. "Class A Members" will be Owners (including Declarant and Builder) of Lots and Living Units. A Class A Member will be entitled to one (1) vote for each Living Unit or Lot owned.
2. "Class B Members" shall be Declarant or its designated assign. The Class B Member will be entitled to two times the total number of votes of the Class A Members, plus one (1) vote until the Turnover Date. Thereafter, Declarant will exercise votes only as to its Class A Memberships.

Only those Members in good standing and eligible to vote pursuant to the Bylaws shall be entitled to cast any vote required or permitted hereunder, and only the votes of Members in good standing and eligible to vote shall be considered in any calculation of votes or any required percentage thereof. On the Turnover Date, Class A Members, including Declarant, shall assume control of the Association and elect the Board.

C. Voting By Multiple Owners. When any Living Unit of a Class A Member is owned in the name of two or more persons, other than husband and wife (either of whose vote will bind both), by an entity, or in any other manner of joint or common ownership, the vote for such Living Units will be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting; or the vote will be exercised by such

co-Owner, or his duly appointed proxy, as will be designated in a writing by all co-Owners, a copy of which will be delivered to the Secretary of the Association and will remain effective as provided in the Bylaws.

D. Association Governance by Board. The Board shall consist of three (3) or five (5) members who will govern the Association. Initially, prior to the Turnover Date, the Board will consist of three (3) members appointed by the Declarant, and following the Turnover Date, the Board will consist of five (5) members elected as provided in the Bylaws.

E. Meetings and Membership Voting. Except as otherwise provided in this Declaration, rules and procedures of the Association, including, but not limited to, conducting elections, meetings (both regular and special), and for casting of votes by Members, and the number thereof required for quorums and approval or ratification, shall be as set forth in the Bylaws.

## ARTICLE 6 ASSESSMENTS AND OPERATING EXPENSES;

A. Affirmative Covenant to Pay Operating Expenses. In order to: (i) fulfill the terms, provisions, covenants and conditions contained in the Association Documents; (ii) provide the yard maintenance services described in Section A of Article 9, and (iii) maintain, operate and preserve any Association Property for the welfare and benefit of the Members and their family members, guests, invitees and lessees, there is hereby imposed upon each Living Unit owned by a Residential Owner, the affirmative covenant and obligation to pay to the Association (in the manner herein set forth) all Assessments, including, but not limited to, the Base Assessments, Special Assessments, Individual Expense Assessments, and Working Capital Contributions. Each Residential Owner, by acceptance of a deed or other instrument of conveyance of a Living Unit from Declarant or Builder, 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 Association Documents with Interest thereon and costs of collection (including, but not limited to, Legal Fees) are declared to be a charge and continuing lien upon each Living Unit against which each such Assessment is made. Each Assessment against a Living Unit (together with Interest thereon and costs of collection) shall be the personal obligation of the Residential Owner thereof. Said lien shall be effective only from and after the date a written, acknowledged statement of the Board setting forth the amount due to the Association as of the date the statement is signed, is recorded in the Public Records. The Association may record such statement at any time following the expiration of thirty (30) days following the date such Assessment(s) or installment(s) thereof became due and payable. 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. Where an Institutional Mortgagee obtains title to a Living Unit as a result of foreclosure of its first mortgage or deed in lieu of foreclosure, such Institutional Mortgagee shall not be liable for the share of Assessments pertaining to such Living Unit that became due prior to the acquisition of title by such Mortgagee as a result of the foreclosure or deed in lieu thereof, unless the Assessment is secured by a claim of lien for Assessments recorded prior to the recording of the applicable mortgage.

C. Amount of Base Assessment. 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 Living Units by dividing the total anticipated Operating Expenses as reflected by the Budget, by the total number of Living Units, with the quotient thus arrived at being the "Base Assessment". Provided, however, the first Budget and all subsequent Budgets prepared during the Deficit Funding Period referred to below, shall be based upon a projection of the total Operating Expenses at full build-out of the Project and the Base Assessment shall be determined by dividing the amount of the total anticipated Operating Expenses at full build-out by a number equal to 75% of the Total Planned Units. On any Budget, the Board shall have the right to make adjustments to the amount of the total Operating Expenses anticipated at full build-out of the Project or any component thereof, from the amounts reflected on the

previous Budget. Such adjustments shall be made based on the Board's reasonable determination of actual or potential increases or decreases in the costs associated with the services and materials covered in the Budget. Accordingly, the amount of the Base Assessment may vary from year to year during the Deficit Funding Period, as long as the Base Assessment is calculated according to the formula described in the previous sentence.

Within 30 days after adoption of a Budget, the Board shall provide to all Residential 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 Residential Owners reject the Budget. If the Budget is rejected, the Budget last ratified by the Residential Owners or in effect for the preceding fiscal year of the Association, shall be continued until such time as the Residential Owners ratify a subsequent Budget adopted by the Board.

D. Special Assessment.

1. General. "Special Assessments" include, in addition to other Assessments designated as Special Assessments in the Association Documents, those Assessments which are levied for capital improvements which include the costs of constructing or acquiring Improvements on or for the Association Property or the costs of reconstructing or replacing such Improvements. Special Assessments shall be in addition to, and are not part of, any "Base Assessment". Any such Special Assessments assessed against Living Units shall be paid by the Residential Owners in addition to any other Assessments. Special Assessments shall be assessed in the same manner as the Base 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 the votes held by each class of Members 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 percent (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 votes held by each class of Members represented in person or by proxy at a meeting called and held in accordance with the Bylaws. Any Special Assessment levied prior to the Turnover Date in an amount equal to 5% or less of the budgeted Operating Expenses of the Association for a fiscal year may be levied by the Board without the approval or consent of the Residential Owners or any other party.

2. Stormwater Special Assessment. Notwithstanding the requirements of Section D.1 of this Article 6, the Association, acting by and through the Board, shall levy a Special Assessment for the purpose of funding any monetary obligations that the Association may have to repay the City if the City exercises any right of the City to perform any maintenance, repair, replacement or other work on or to the Pond in accordance with any agreement regarding maintenance of the Ponds, as described in Section D of Article 4. The Board may levy any such Special Assessment without the approval or consent of any Residential Owner, Member, or any other Person or party. The right of the Association to enforce its lien for payment of such Special Assessment may be exercised by either the Association or the City. The Association hereby assigns to the City, its rights to claim and enforce the lien for any Special Assessment levied pursuant to this Section D. 2 of Article 6, who may act on behalf of the Association and shall have all of the rights of the Association, including those rights in this Article 6, with respect to the collection or enforcement of any Special Assessment levied pursuant to this Section D.2 of Article 6.

E. Individual Expense Assessments. Individual Expense Assessments include any Assessment levied against a Residential Owner as a result of such Residential Owner's use, maintenance, or treatment of the Association Property or such Residential Owner's failure to comply with the Association Documents, including, but not limited to, non-compliance of Living Units and any other Improvements or personal property contained therein with the standards set forth in the Association Documents. The amount of the Individual Expense Assessment(s) shall be equal to the amount of any additional costs and expenses incurred by Declarant or the Association as a result of such Residential Owner's failure or refusal to comply with the Association Documents. The Individual Expense Assessment and any late charges relating

thereto shall be assessed and collected and enforced in the same manner as any other Assessments hereunder as provided herein. Individual Expense Assessments shall be in addition to and not part of any other Assessment. For the purposes of this Section, the term "Residential Owner" shall also mean any such Residential Owner's family members, guests, or lessees, and such lessee's family members, or guests.

F. Deficit Funding Period. Declarant covenants and agrees with the Association and the Residential Owners that for the period ("Deficit Funding 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 thirty (30) Living Units have become certified for occupancy by the applicable Governmental Authorities, or (ii) the date that is two (2) years after the date this Declaration is originally recorded in the Public Records, that (a) the Base Assessment will be determined by spreading the total anticipated Operating Expenses projected at full build-out of the Project as set forth in the Budget, by a number equal to 75% of the Total Planned Units; and (b) Declarant will pay the "Deficit," being the difference, if any, between the Operating Expenses incurred by the Association during the Deficit Funding Period, and the Base Assessments paid by other Residential Owners. During the Deficit Funding Period, Declarant shall not be obligated to pay any Assessments with respect to any Living Units owned by Declarant. Declarant hereby reserves the right to extend the Deficit Funding Period to a date ending not 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 the current Deficit Funding Period. After the Deficit Funding Period terminates, Declarant shall pay Base Assessments for any Living Units owned by Declarant at a rate equal to ten percent (10%) of the full amount of the applicable Base Assessments charged for Living Units that are not owned by Declarant.

Declarant's obligation to fund the Deficit during the Deficit Funding Period as set forth above is 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 in the Public Records 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. The first Residential Owner who purchases a Living Unit from Builder Declarant, shall pay to the Association at the time title is conveyed to such Residential Owner a "Working Capital Contribution". The Working Capital Contribution shall be an amount equal to a six-months share of the Base Assessment. 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 Base Assessments and shall have no effect on future Base Assessments. Working Capital Contributions are payable only by the first Residential Owner and any Residential Owner who is not the first purchaser of a Living Unit, but buys the Living Unit from another Residential Owner shall have no obligation to pay a Working Capital Contribution.

H. Collection of Assessments. If any Residential Owner shall fail to pay any Assessment (or installment thereof) charged to such Residential Owner within fifteen (15) days after the same becomes due, then the Association 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 levied on the applicable Living Unit for the remainder of the calendar year notwithstanding any provisions for the payment thereof in installments.
2. To advance on behalf of the Residential Owner(s) in default funds to accomplish the needs of the Association up to and including the full amount for which such Residential Owner(s) is liable to the Association. The amount of any funds so advanced, together with Interest and all costs of collection thereof (including, but not limited to, Legal Fees), may be collected by the Association and such advance by the Association shall not waive the Residential Owner's default.

3. To record a written, acknowledged statement of the Board as provided in Section B above setting forth the amount due to the Association as of the date the statement is signed in the Public Records and file an action in equity to foreclose its lien at any time after the effective date of such lien. 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 under power of sale under Article 2A of Chapter 45 of the North Carolina General Statutes, or as otherwise provided in the Planned Community Act.

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.

I. Collection by Declarant. If for any reason the Association shall fail to collect the Assessments, then prior to the Turnover Date, Declarant shall have the right (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 Residential Owner as set forth above, all of which remedies are hereby declared to be available to Declarant.

J. Payments by Declarant and Institutional Mortgagees. Declarant and any Institutional Mortgagees 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 Living Units. Declarant and any Institutional Mortgagees shall also 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 when overdue and when lapses in policies or services may occur. Declarant and any Institutional Mortgagees paying overdue Operating Expenses on behalf of the Association will be entitled to immediate reimbursement from the Association plus Interest and any costs of collection. The Association shall execute an instrument in recordable form evidencing the Association's obligation to make such immediate reimbursement and deliver the original of such instrument to each party who is so entitled to reimbursement.

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

L. 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.

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

N. Application of Payments. Any payments made to the Association by any Residential 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 owed to the Association by the Residential 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.

O. Assessment Payments. The Base Assessments shall be payable in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board.

P. Liability of Residential Owners for Individual Assessments. By the acceptance of a deed or other instrument of conveyance of a Living Unit, each Residential Owner thereof acknowledges that the Residential Owners are jointly and severally liable for their own Base Assessment and their applicable portion of any Special Assessments as well as for all Individual Expense Assessments for which they are liable. Such Residential Owners further recognize and covenant that they are jointly and severally liable with all Residential Owners for the payment of Operating Expenses. Each Residential Owner, recognizes and agrees that if other Residential Owners fail or refuse to pay their Assessments or any portion thereof, then the remaining Residential Owners may be responsible for increased Base Assessments or a Special Assessment or other Assessments levied as a result of such nonpayment. Any such increased Base 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 in accordance with the Association Documents.

Q. Operating Expenses. The Assessments for Operating Expenses are payable by each Residential Owner to the Association notwithstanding the fact that Declarant may not have yet conveyed title to the Association Property (if any) to the Association. Operating Expenses shall include the cost of all items or expenses benefiting the Association, the Association Property, the Project, the Lots, the Living Units, and the Residential Owners, as determined to be an appropriate item of Operating Expense by the Board. Operating Expenses include, but are not limited to, the following expenses, costs, fees and charges:

1. Taxes. Any and all taxes levied or assessed at any and all times by any and all taxing authorities 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.

2. Utility Charges. All charges levied for utilities providing services for the Association Property whether supplied by a private or public firm, including (but not limited to) all charges for water, gas, electricity, telephone, sewer and any other type of utility or any other type of service charge. Also any charges levied and paid by the Association for utility services provided to the Living Units through a master metering system, including but not limited to, water consumption charges for a common irrigation system.

3. Insurance. The premiums on any policy or policies of insurance required to be maintained by the Association 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.

4. 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. 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 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.

5. Maintenance, Repair and Replacements. 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 standards and requirements in the Association Documents and in compliance with the requirements and regulations of all applicable Governmental Authorities having jurisdiction over the Project. Except for any annual contributions to Reserves (specifically including but not limited to, the Reserve for the Pond referred to below), 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 D.1 of Article 6 and subject to the limitations thereon set forth with respect to Special Assessments.

6. Yard Improvements. Operating expenses shall include all expenses necessary to keep and maintain, repair and replace the Yard Improvements and the applicable portions of the Living Units for which the Association is responsible as provided in Section A of Article 9.

7. Additional or Offsite Maintenance. The expenses of any additional maintenance that the Board elects to provide in order to enhance the overall appearance of the Project for or on any property or Improvements located within or outside of the Project, if permitted by the owner of such property or the Governmental Authority responsible for maintaining same.

8. Indemnification. The costs of fulfilling the covenant of indemnification in Section G of Article 15.

9. Administrative and Operational Expenses. The costs of administration of the Association including, but not limited to, any secretaries, bookkeepers and other employees, and the costs of retaining a management company, as necessary to carry out the obligations and covenants of the Association.

10. Compliance with Laws. The cost and expense of the Association's compliance with all applicable laws, statutes, ordinances and regulations of any Governmental Authority, including, without limitation, any regulations regarding zoning requirements, setback requirements, drainage requirements, sanitary conditions, environmental conditions, and fire hazards.

11. Non-Payment of Base Assessments. Funds needed for Operating Expenses due to the failure or refusal of Residential Owners to pay the Assessments levied. *Provided, however, that any Assessment for any such sums so needed to make up a deficiency due to the failure of Residential Owners to pay a Special Assessment shall, itself, be deemed to be a Special Assessment.*

12. Stormwater Expenses. The scheduled annual expenses for the normal and routine operation, maintenance and repair of the Pond and other portions of the Project Drainage System and the expense of maintaining a reserve account for the Pond (if required by the City), shall be Operating Expenses of the Association. Such expenses and the associated Reserve account shall be attributed the highest priority for the allocation of Operating Expenses, except for taxes, assessments, insurance and other expenses required by applicable law to have a higher priority. Unless sufficient funds are available through the Base Assessments, any expenses incurred by the Association as a result of the obligation to repay the City for any costs incurred by the City as a result of the City performing any repair or other work that is necessary to allow the Pond to function as intended in controlling the flow of storm water on and from the Project Land, shall be the subject of a Special Assessment levied pursuant to Section D.2 of Article 6.

13. Costs of Reserves; Pond Reserve. The funds necessary to establish an adequate reserve fund ("Reserve") 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. 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 Residential Owner shall have any interest, claim or right to such Reserves. The Association shall establish a separate Reserve for the reconstruction, replacement, and major repair of the Pond, separate from the funds for the routine maintenance, operation and repair of the Pond. Any required Reserve for the Pond shall contain funds sufficient to pay the probable cost of reconstruction, replacement and major repair for at least a 3-year period (as determined by the City) and the account for this Reserve shall be insured the FDIC or another entity acceptable to the City.

14. Miscellaneous Expenses. The cost of all items or costs or expenses pertaining to or for the benefit of the Association, the Association Property, the Lots, the Living Units, the Project, 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.

15. Legal Action against Declarant. 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 Base Assessment.

## ARTICLE 7 INSURANCE AND CONDEMNATION

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

A. Casualty Insurance. Property and casualty insurance naming Declarant and Builder as additional named insureds for so long as such additional insured party owns any portion of the Project Land, 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 the Project in construction, location and use. If insurance proceeds are payable to the Association as a result of casualty and the Association is obligated or elects to repair or reconstruct the Improvements damaged or destroyed by such casualty, 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.

B. Public Liability Insurance. A comprehensive policy of public liability insurance naming Declarant and Builder as an additional named insureds until such additional named insured party's ownership of any portion of the Project Land ceases, 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 others 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.

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.

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 allocated or applied as determined by the Board.

G. 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-3-113 of the Planned Community Act and any other applicable terms and provisions of the Planned Community Act.

## ARTICLE 8 EASEMENTS

A. Recognition of Existing Easements. Each Residential 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 Project Land under this Declaration.

B. Reservation and Establishments of Easements. In addition to the easements set forth and specifically granted and referred to in other provisions of this Declaration, this Declaration hereby creates and establishes the following perpetual easements over and across the Project Land as covenants running with the Project Land for the benefit of the Residential Owners, the Association, Declarant, Builder, and other Persons as hereinafter specified for the following purposes:

1. Easements for Utilities. There is hereby reserved for the benefit of Declarant, Builder, the Association, and their respective successors and assigns, the alienable, transferable, and perpetual right and easement, as well as the power to grant and accept easements to and from any Governmental Authority or private utility company or other Person, upon, over, under, and across all of the Association Property in accordance with this Declaration; as shown on the Site Plan or a Final Plat; and other such easement areas recited in any Supplement for the purpose of installing, replacing, repairing, maintaining, and using master television antenna and/or cable systems, security and similar systems, and all utilities, including, but not limited to, the storm water drainage system, and electrical, gas, telephone, water, and sewer lines. To the extent that any utility facilities are installed upon the exterior portion of a Living Unit, the applicable utility provider shall have an easement over, upon and across all of the exterior portions of the Living Unit for the purpose of installing, replacing, repairing, maintaining, inspecting and operating the applicable utility facilities. Such easements may be granted or accepted by Declarant or Builder, its successors or assigns, or by the Board, provided, however, that for as long as the Declarant owns any of the Project Land primarily for the purpose of development and sale, the Board must obtain the written approval of Declarant prior to granting and accepting any such easements. By virtue of any such easement and facilities, it will be expressly permissible for the providing utility company or other supplier or Person, with respect to the portions of the Project Land so encumbered, to erect and maintain pipes, lines, manholes, pumps, and other necessary equipment and facilities, to cut and remove any trees, bushes, or shrubbery, to grade, excavate, or fill, or to take any other similar action reasonable necessary to provide economical and safe installation, maintenance, repair, replacement, and use of such utilities and systems.

2. Easement for Encroachment. If (i) any Improvements which are constructed as Association Property or upon Association Property, or (ii) any Improvements which are specifically constructed upon a Lot (subject to the limitation describe below), 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. This easement shall only apply to Improvements upon a Lot which constitute completed building Improvements which do not encroach more than three (3) feet into or upon an adjacent Lot, and shall not include fences, walls, patios, antennas, driveways, walkways, sign, mailboxes, pools, tennis courts, landscaping or other structures or Improvements which are not a completed building Improvement. If any Lot Improvement of the type described in the foregoing sentence 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, provided, however, that in no event shall such an easement exist for willful encroachments.

3. Easement to Enter Upon Lots. An easement or easements for ingress and egress in favor of Declarant, Builder, 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 or any Living Unit.

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

i. the right of the Association to suspend the voting rights and rights to use any real property that is part of the Association Property of any Residential Owner for any period during which Assessments against his Living Unit or Lot remain unpaid;

ii. the right of the Association to grant permits, licenses and easements over any real property that is part of Association Property for utilities and other purposes reasonably necessary or useful for the proper maintenance or operation of the Project;

iii. all provisions set forth in the Association Documents, including the easements granted and reserved in this Declaration:

iv. Declarant's right to add Additional Land to this Declaration and the rights to grant easements for the benefit of any such Additional Land added to this Declaration.

v. all existing easements of record.

5. Project Drainage Easement. An easement is hereby established over, under, across and upon all portions of the Project Land upon or in which any component of the Project Drainage System is located, installed, or constructed, for the benefit of the remaining portions of the Project Land (the "Project Drainage Easement"). The Project Drainage Easement is for the general purpose of accommodating storm water discharged from the benefited portion of the Project Land, and for the purpose of allowing Declarant, Builder, the Association, and the City, to maintain, operate, repair and replace so much of the Project Drainage System as may be within the burdened property in order to enable the Project Drainage System to function as intended in accordance with the drainage plans approved by the City for the Project. The locations of the Project Drainage Easement are shown on the Final Plat of the Project Land as private drainage or storm water easements. The Project Drainage Easement also includes reasonable rights to enter upon the Project Land in order to access the Project Drainage System locations, facilities, and installations thereon, and the right to cut any trees, bushes or shrubbery, make any gradings of the soil or take any other similar action that Declarant, the Association, the Committee, the Builder, or any applicable Governmental Authority having jurisdiction over the storm water management system and facilities for the Project, deems reasonably necessary or appropriate..

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

7. Maintenance Easements.

i. If any Living Unit is located closer than five (5) feet from its Lot line or if any utility lines or facilities serving a Living Unit, are located in whole or in part on an adjoining Lot or Living Unit, the Residential Owner of

said Living Unit shall have a perpetual access easement over the adjoining Lot to (i) repair, maintain, perform, paint, or reconstruct his or her Living Unit, and (ii) to repair, maintain, replace, and inspect any utility lines or facilities serving his or her Living Unit. Within said easement area no fence or vegetation shall be located. The easement rights noted in (ii) may also be exercised the applicable utility company who owns or maintains the utility facilities located on the adjoining Lot or Living Unit.

ii. If any portion of a retaining wall or the applicable retaining wall support system serving a Living Unit, is located on an adjoining Lot, the Residential Owner of said Living Unit shall have a perpetual access easement over the adjoining Lot to inspect, repair, maintain, reconstruct, or replace, such retaining wall or retaining wall support system pursuant to and in accordance with Section C of Article 9.

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

9. Buffer, Landscape and Sign Easement. An easement for the preservation, installation, maintenance, repair, and replacement of the Entrance Facilities, and any entry monument, sign, landscaping, or other facilities located in any portion of the Project Land shown on a Final Plat as a landscape or sign easement, or a buffer area or easement is reserved in favor of Declarant, Builder, and the Association over, upon, across and under such portion of the Project Land. The Residential Owner of any Lot on which any landscape or sign easement is located, his or her family members, tenants, agents or contractors shall not remove, harm or damage any landscaping, signage, or other Improvements installed by Declarant, Builder, or the Association within said easement.

10. Easement to Inspect Lots and Living Units. A perpetual easement is hereby reserved in favor of Declarant and Builder over and upon the Project Land for the purpose of allowing Builder's or Declarant's inspection of the structural portions of the Living Units and the grade and contour of the Lots. This easement to perform such inspections shall be perpetual to the extent permitted by applicable law and not subject to the provisions of Section C below.

11. Additional Easements. Declarant (until the Turnover Date) and the Association, on their behalf and on behalf of all Residential Owners, each shall have the right to (i) grant additional easements over, upon, under and/or across the Association Property in favor of Declarant, or any Person, entity, Governmental Authority or utility company, or modify, relocate, abandon or terminate existing easements benefiting or affecting the Project Land. 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 Project Land. So long as the foregoing will not adversely interfere with the use of Living Units for dwelling purposes, no consent of any Residential Owner or any mortgagee of any Living Unit shall be required or only the consent of the Residential Owners and Institutional Mortgagees adversely affected shall be required. To the extent required, all Residential 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 Governmental Authority, or any duly licensed or franchised public utility, or any other designee of Declarant. The Residential 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 Project Land or portions thereof in accordance with the provisions of this Declaration.

Except as may be expressly provided otherwise, all easement rights reserved or granted to Declarant and Builder shall terminate when such party no longer owns any portion or interest in the Project Land 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 or Builder.

ARTICLE 9  
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 Developer or Builder. The Improvements shall be maintained in the same condition as originally constructed by Develop or Builder. 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 Maintenance Services Provided for Living Units. 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. The Association shall also maintain any Yard Improvements installed by a Residential 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) if a Residential Owner installs a fence on their Lot, the Association shall have no responsibility for maintaining any Yard Improvements inside of such fence, (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 Residential Owner or any utility company or Governmental Authority. If a common irrigation system that provides irrigation for the Living Units is installed by Declarant, the Association shall maintain, repair and operate such system in good condition, subject to the requirements of the applicable Governmental Authorities, including but not limited to, any restrictions imposed or recommended during periods of drought.

The Association may charge a fine (or fines) to any Residential Owner who installs a fence on their Lot and who thereafter repeatedly fails or refuses to maintain adequate access to the rear yard of the Lot, causing the Association to be unable to maintain the rear Yard Improvements to acceptable standards (as determined by this Declaration and the Standards published by the Committee) in accordance with Article 10. In addition to the imposition of fines, the Association may also remove the obstruction, object, or Improvement which prevents access by the Association to the rear yard of any such and otherwise enforce the provisions of Article 9 regarding Improvements in violation of the provisions of this Declaration.

Except as specifically provided for in this Section A.2 of Article 9, the Association shall have no responsibility to maintain or repair any Living Unit or any portion thereof or for insuring any Living Unit or other Improvements on any Lot, and shall not be liable for any damage to any Living 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 a Residential 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 Living Unit, as the Association might establish in such written acceptance.

B. By the Residential Owners.

1. Living Units and Lots. Except for any items to be maintained by the Association as provided for in Section A above, each Residential Owner shall maintain his Living Unit and all Improvements and personal property upon his Lot in good condition at all times. The exterior of all Living Units including but not limited to, doors, windows, patio areas, pools, screenings, and awnings shall be maintained in good condition and repair and in a neat and attractive manner. All exterior painted areas shall be painted as reasonably necessary, with colors which are harmonious with other Living Units. No Residential Owner shall change the exterior color of his Living Unit without the consent of the Committee. All sidewalks, driveways and parking areas within the Residential Owner's Lot or serving the Residential Owner's Living Unit shall be cleaned and kept free of debris; and cracks, damaged and/or eroding areas on same shall be repaired, replaced and/or resurfaced as necessary.

2. Association's Right to Perform Maintenance. If a Residential Owner fails to maintain his Lot or Living Unit in accordance with this Declaration, the Association shall have the right, but not the obligation, upon fifteen (15) days' written notice to the Residential Owner, to enter upon the Lot for the purpose of performing the maintenance and/or repairs described in such notice to the Residential Owner, as applicable. Provided, however, if the maintenance or repair is necessitated due to an emergency, the Association shall have the right to perform the maintenance and/or repairs upon 24 hours advance written notice. The cost of performing such maintenance and/or repairs and the expense of collection (including, but not limited to, Legal Fees) shall be assessed by the Association against the Residential Owner as an Individual Expense Assessment.

C. Party Walls and Shared Retaining Walls. Each wall which is built as a part of the original construction of a Living Unit and placed on the dividing line between Lots, and all reconstruction or extensions of such walls shall constitute party walls. Each retaining wall constructed upon multiple Lots for the purpose of providing additional structural support for the Living Units on those Lots shall constitute a shared retaining wall. To the extent not inconsistent with the provisions of this Section C of Article 9, 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 Residential Owners of contiguous Lots who share a party wall or a shared retaining wall shall equally have the right to use such wall, provided that such use by one Residential Owner does not interfere with the use and enjoyment of the party wall by the other Residential Owner or Owners.

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

3. Any Residential Owner proposing to modify, make additions to, or rebuild his Living Unit, or to install any Improvements or structures on his Lot, in any manner which requires the alteration or disturbance of any party wall or shared retaining wall, or which would obstruct access to or compromise the structural integrity of any shared retaining wall or the support system thereto, shall obtain the written consent of the adjoining Residential Owners prior to commencing the applicable work, in addition to the any approvals required pursuant to Article 10. The provisions of this Article shall also apply to any fence, barrier or other shared Improvement installed by Declarant on the dividing Line between Lots, or on the front or rear boundary line of multiple Lots, and to any replacement thereof authorized by the Committee.

4. In the event of a dispute between Residential Owners with respect to the repair or rebuilding of a party wall, shared retaining wall, or other shared Improvement, then upon the written request of one of such Residential 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 Residential Owners.

D. Inspections by Declarant and Builder.

1. Structural. Builder shall have the right to perform periodic inspections of the structural Improvements of each Living Unit, including but not limited to, the roof, foundation, and exterior wall of a Living Unit. Builder or the Association shall provide a Residential Owner with reasonable advance notice of Builder's intent to perform such inspection. Each Residential Owner shall cooperate with Builder as is reasonably necessary for Builder to be able to complete an accurate and thorough inspection of the structural components of such Residential Owner's Living Unit. No Residential Owner shall take any action that would disrupt, prevent or limit Builder's ability to perform such inspection(s).

2. Grading; Drainage. Declarant and Builder shall have the right to perform periodic inspections of the grading, contour, and landscaping on a Lot for the purpose of determining any deficiencies or problems contributing to inadequate drainage, excessive moisture retention, structural deterioration, or other damaging or adverse conditions. Declarant or Builder, as applicable, shall prepare a report of such inspection(s) and provide a copy to the Association. Following the receipt of such report, the Association shall provide a copy of the report to all of the Owners.

ARTICLE 10  
ARCHITECTURAL CONTROL

A. Establishment. "Committee" shall mean the architectural control committee, which shall be the governing body charged with promoting and maintaining a high level of design, quality, harmony and conformity throughout the Project consistent with this Declaration. Until the Termination of Declarant's Architectural 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's Architectural Control, the Committee shall be composed of at least three (3) individuals appointed by the Board, each of who shall be a Residential 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 or Living Unit in the Project ("Termination of Declarant's Architectural Control").

B. Purpose. The Committee is established to provide a system of review for the construction or modification of all Improvements within the Project. 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 Project, including, but not limited to, standards for the following ("Standards"): (i)

architectural design of Improvements, including, but not limited to, design standards for any Living Unit or other Improvement constructed upon a Lot; (ii) exterior building materials and colors; (iii) exterior appurtenances relating to utility installation; (iv) fences, (v) signs and graphics, mailboxes and exterior lighting; (vi) building setbacks, 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's Architectural Control, a copy of any Standards promulgated by the Committee shall be subject to approval by the Board. After the Board's approval, a copy of the Standards will be made available to all Members.

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

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 Residential Owner submitting same. If 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) sixty (60) days have elapsed since submission and written request for approval or disapproval was delivered to the Committee by the Residential 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 Residential Owner shall be responsible for obtaining all necessary technical data and to make application to and obtain the approval of the appropriate Governmental Authorities 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 Project 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 Project, 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 Project Land 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 Residential 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 Living 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.

## ARTICLE 11 USE RESTRICTIONS

For purposes of this Article 11, unless the context otherwise requires, Residential Owner shall also include the family, invitees, guests, licensees, lessees and sublessees of any Residential Owner, and any other permitted occupants of a Living Unit. In addition to any other restrictions set forth in this Declaration, all the Lots and Living Units shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant and Builder as provided in this Article and elsewhere in this Declaration.

A. Residential Use. The Lots and Living Units shall be for single-family residential use only. No trade, business, profession or commercial occupation or activity may be carried on in the Project Land without the consent of the Board except for such occupation or activity permitted to be carried on by Declarant or Builder as is expressly permitted below. 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 Project.

B. Non-Residential Activities or Uses. No trade, business, profession or commercial activity, or any other non residential use shall be conducted on the Project Land or within any Lot or Living Unit without the consent of the Board except that a Residential Owner or occupant residing in a Living Unit may conduct business activities within the Living 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 Living Unit; (ii) the business activity conforms to all zoning requirements for the Project Land; (iii) the business activity does not involve door-to-door solicitation of residents noticeably greater than that which is typical of Living Units in which no business activity is being conducted; and (v) the business activity is consistent with the 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, (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 beyond the level of traffic and vehicular parking that occurs in residential

developments similar to the Project, 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 two (2) consecutive days in duration. The foregoing shall not prohibit a Residential Owner from leasing his Living Unit.

C. Nuisances. No obnoxious or offensive activity shall be carried on about the Lots or in or about any Improvements, Living Units, or on any portion of the Project Land nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any Residential Owner. No use or practice shall be allowed in or around the Living Units and Lots which is a source of annoyance to Residential Owners or occupants of Living Units or which interferes with the peaceful possession or proper use of the Living Units or the surrounding areas. No loud noises or noxious odors shall be permitted in any Improvements, Living Units or Lots.

D. Outside Storage of Personal Property. The personal property of any Residential Owner shall be kept inside the Residential Owner's Living, 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. 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 Association Property and no automobiles or mechanical equipment may be dismantled or allowed to accumulate on any Lot.

F. No Improper Uses. No improper, offensive, hazardous or unlawful use shall be made of any Living Unit or Lot nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to any Residential Owner or occupant of the Project. Residential Owners shall observe and obey all valid laws, zoning ordinances and regulations of all Governmental Authorities. Violations of laws, orders, rules, regulations or requirements of any Governmental Authority, relating to any Living Unit or Lot shall be corrected by, and at the sole expense of the Residential Owner of the Living Unit or Lot.

G. Trash and Other Materials. Each Residential Owner shall regularly pick up all garbage, trash, refuse or rubbish on his Lot, and no Residential Owner or resident shall place or dump any garbage, trash, refuse, rubbish or other materials on any other portions of the Project Land. Garbage, trash, refuse or rubbish that is required to be placed at the front of a 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 shall be stored behind a Living Unit within an enclosed or screened area so that they shall be substantially concealed or hidden from any eye-level view from any street or adjacent property and kept in a clean and sanitary condition. No noxious or offensive odors shall be permitted.

H. Leases. No portion of a Living Unit (other than an entire Living Unit) may be rented. All leases must be in writing and 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 Living Units. No lease shall be for a period of less than six (6) months without the approval of the Board. A copy of the proposed lease and all documentation required by the Association verify compliance with the requirements of Article 11, must be delivered to the Association prior to occupancy by the tenant. The Residential Owner of a leased Living 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.

I. Temporary Buildings; Accessory Buildings; Play Structures. No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed upon the Project Land except in connection with construction, development, leasing or sales activities permitted by the Committee or performed by Declarant or Builder. No temporary structure may be used as a Living Unit. No garden shed, storage shed, out-building, play structure, or other permanent structures which are detached from the Living Unit shall be constructed or placed upon the Project Land unless approved by the Committee.

J. Garages. To the extent that any Living Unit contains a garage, 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. All garage doors shall remain closed when vehicles or Persons are not entering or leaving the garage. The foregoing shall not include any garages used or formerly used by Declarant or Builder as an office or other area in connection with the sale of Living Units, which are Exempt Improvements and not subject to the restrictions in this Article 11. 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 Living Unit, 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 Project Land. 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. The Board shall have the right to forbid or prohibit certain breeds or types of animals. Any pet must not be an unreasonable nuisance or annoyance to other residents on the Project Land. 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 Residential 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 Project Land due to a violation of this Section. Each Residential Owner who keeps or intends to keep a pet agrees to indemnify the Association, Declarant, and Builder, and hold them harmless against any loss or liability of any kind or character whatsoever arising from he or she having any animal on the Project Land.

L. Additions and Alterations. No Living Unit shall be enlarged by any addition thereto or to any part thereof, and no Residential Owner shall make any improvement, addition, or alteration to the exterior of his Living Unit, including, without limitation, the painting, staining, or varnishing of the exterior of the Living 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.

M. Increase in Insurance Rates. No Residential 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 Project Land not owned by such Residential Owner.

N. Air Conditioning Units. Only central air conditioning units are permitted, and no window, wall, or portable air conditioning units are permitted. No air-conditioning or heating apparatus, unit or equipment shall be installed on the ground in front of, or attached to, any front wall of any Living Unit.

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, which approval must be in writing

P. Outside Antennas and Satellite Dishes. No Residential Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar apparatus or equipment without the approval of the Committee, unless: (i) such apparatus is two (2) feet or less in diameter, (ii) the apparatus is screened from public view and located behind the Living Unit either in the rear yard or affixed to the rear roof, and (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.

Q. Flagpoles. Except for the proper and respectful display of the flag of the United States of America or the State of North Carolina in compliance with applicable law, no Residential Owner may erect or install a flagpole or decorative banner on any portion of a Lot or Living Unit, including freestanding detached flagpoles or banners, and those that are attached to a Living Unit, without the prior written approval of the Committee.

R. Oil and Gas Tanks. All oil tanks, bottled gas tanks, and similar apparatuses and housing 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.

S. Signs. Except as otherwise required by the City, no sign of any kind shall be displayed to the public view on any Lot except signs used by Declarant to advertise Living Units for sale during the construction and sales period, and one sign of not more than six (6) square feet advertising the property for sale. No signs advertising a Living Unit "for rent" or "for lease" shall be permitted within the Project without the prior written consent of Declarant (until the Termination of Declarant Control of the Committee) and the Committee.

Notwithstanding the foregoing, political signs or signs intended to influence the outcome of any election may be displayed no earlier than 45 days prior to the subject election, and no later than seven (7) days after the subject election. The number and size of such signs shall be in compliance with all local ordinances regulating such signs or, in the absence of any such ordinance, shall be limited to one (1) such sign with maximum dimensions of 24" by 24".

No Residential Owner shall be permitted to install any signs on or in the following: (i) the Association Property, (ii) within the right of way of any Residential Street, or (iii) on any other portion of the Project located outside the boundaries of such Residential Owner's Lot.

T. Window Treatments. 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 a Residential Owner or tenant first moves into a Living Unit or when permanent window treatments are being cleaned or repaired.

U. Swimming Pools. No swimming pools, spas, or the like, shall be installed without the consent of the Committee. No above-ground swimming pools shall be permitted in the Project, except that small, inflatable wading pools shall be permitted..

V. Fences and Walls. Except for any entrance monumentation and signage, and any screening wall, retaining wall or fence installed by Declarant or Builder which are expressly excluded from the restrictions in this Article 11, all fences proposed to be installed upon the Project Land require prior written consent of the Committee. Chain link or other similar metal fencing is expressly prohibited. The Standards published by the Committee may contain specifications for the materials, design, and location of fences, including, but not limited to, the location, number and design of the gates.

The Residential Owner of a Lot upon which a fence or wall is installed shall be solely responsible for providing and maintaining access to and from the rear yard of such Lot. In general, any fence installed upon a Lot shall be designed and used in a manner that will allow access to and from the rear yard of such Lot to allow the Association to perform any of its obligations or exercise any of its rights pursuant to this Declaration that require the Association to have access to the rear portion of such Lot and to allow public utility companies to inspect, maintain and repair any utility facilities located within the boundary of the Lot. Additionally as provided in Article 9, the Association shall have no responsibility to maintain any Yard Improvements located inside of a fence installed upon a Lot, notwithstanding that the gate for the fence would allow the Association to access that area of the Lot.

W. Mailboxes. No mailboxes are permitted without the consent of the Committee, except for mailboxes which are identical to mailboxes originally provided for the Living Units by Builder.

X. Pond. The rules and regulations of the Association, as published and amended from time to time, may contain rules, regulations and requirements concerning the use of the Pond and any open space or other area surrounding the Pond, which shall be in addition to any provisions of this Declaration. There shall be no swimming, use of personal flotation devices, or boating of any type (whether powered or not) on the Pond. No Residential Owner shall construct or install any piers or docks on any portion of the Pond, or on any portion of a Lot which abuts the Pond, provided, however, that the Declarant or the Association may construct a pier or dock on or adjacent to the Pond for the use and enjoyment of the Residential Owners and their family members, guests and invitees. No Residential Owner shall be permitted to use water from the Pond for irrigation or for any other purpose whatsoever. Neither the Declarant nor the Association shall be responsible for any loss, damage or injury to any person or property arising out of the authorized or unauthorized use of the Pond.

Y. Surface Water Management. No Residential Owner or any other person shall do anything to adversely affect the general surface water management and drainage of the Project Land, without the prior written approval of the Committee, the City, and any other applicable controlling Governmental Authority, including, but not limited to, the excavation or filling in of any Lot. Provided, however, the foregoing shall not be deemed to prohibit or restrict the initial construction of Improvements upon a Lot or other portion of the Project Land by Declarant or Builder in accordance with permits issued by controlling Governmental Authorities. In particular, no Residential Owner shall install any landscaping or place any fill on the Residential Owner's Lot which would adversely affect the drainage of any contiguous Living Unit or Lot. No Residential Owner shall be permitted to reshape or alter the topographical features or area within any drainage easement, nor shall any Residential Owner be permitted to install fences or other Improvements or structures within a drainage easement, including the installation of landscaping, plants, trees or other vegetation, except for low growing grass. The application of herbicide to the portions of the Project Land within any drainage easement is prohibited.

Z. Wetland Areas. No Residential Owner shall remove native vegetation that becomes established within any wetland areas located on or adjacent to any portion of the Project Land. Removal includes dredging, the application of herbicide, and cutting. No Residential Owner shall add or introduce additional vegetation or other forms of plantlife or landscaping within any wetland areas located on or adjacent to any portion of the Project Land. Residential Owners should address any question regarding authorized activities within any wetland areas to the applicable Governmental Authorities. No Residential Owner may construct or maintain any building; residence, or structure, or undertake or perform any activity in any wetland areas without the prior approval of the Association and the applicable Governmental Authorities and utility providers.

AA. Building Location. Any Living Unit erected on a Lot other than a corner Lot shall face the street on which the Lot abuts. On corner Lots, a Living Unit may be erected so as to face the intersection of the 2 streets on which the Lot abuts.

BB. Damage and Destruction. If any Improvement contiguous with a Living Unit is damaged or destroyed by casualty or for any other reason, the Residential Owner of the Living 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.

CC. Subdivision and Partition. No Lot on the Residential Land shall be subdivided without the Committee's prior written consent except by Declarant or Builder.

DD. 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 Living Unit or other Improvement shall be permitted to exist on any Lot, except during such reasonable time period as is necessary for completion. The Residential 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 Residential Owner's Lot.

EE. 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 Living Unit, which mains furnish domestic water from sources beyond the boundaries of the Lot.

FF. Play Structures; Recreational Apparatuses and Structures. All swing-sets, slides, play houses or other removable play structures or recreational apparatuses shall be placed behind the Living Unit in the rear portion of the applicable Lot, and must conform to any Standards published by the Committee that apply to such structures or apparatuses. No permanent play structure or recreational apparatus or structure shall be placed or installed upon a Lot without the prior written approval of the Committee.

GG. Removal of Trees. The City maintains requirements that may currently affect the Property regarding "tree coverage" or "tree protection", as are set forth by City ordinance or City zoning code. All owners shall be responsible for observing and complying with the applicable ordinances and requirements of the City concerning tree removal and tree protection. Because the ordinances and requirements of the City may change from time to time, all Owners should consult the City planning department or other applicable entity prior to the removal or disturbance of any trees from or on their Lot.

The Association shall keep and maintain any portion of the Open Space designated on a Final Plat as a "Tree Coverage Area" in its natural and undisturbed state, and no Person shall remove any trees or other vegetation within such area or take any other action that would disturb or alter the undisturbed condition or nature of such area, except that the Association has the right to remove dead or diseased trees and to take other actions with the approval of the City.

HH. Retaining Walls. If any portion of a retaining wall or the structural support system incorporated into the backfill behind such wall, is located within the boundaries of a Lot, the Residential Owner of such Lot is prohibited from installing any Improvements or performing any land disturbing activities on the Lot which may damage, weaken, or compromise the structural integrity of the retaining wall, or would obstruct access to such retaining wall or the appurtenant support facilities, without the prior written consent of the Committee, any adjoining Residential Owners upon whose Lots any portion of such retaining wall is located (if any), and the Committee may require that any such Residential Owner seeking to make any such Improvements provide an affirmative recommendation of the proposed Improvements from a licensed professional engineer. Such prohibited activities include, but are not limited to, excavation, digging, and storage of heavy construction materials or supplies.

II. Certain Rights of Declarant and Builder. Unless specifically provided otherwise in this Section, the provisions, restrictions, terms and conditions of this Article 11 shall not apply to Declarant or Builder.

ARTICLE 12  
ADDITIONAL LAND; WITHDRAWAL; BOUNDARY ADJUSTMENTS

A. Additional Land. Prior to the Turnover Date, Declarant shall have the right, without the approval or joinder of the Association, the Residential Owners or any other Person, to bring under the provisions of this Declaration and thereby add to the Project, any real property owned or acquired by Declarant which is contiguous to the Project Land or which is contiguous with a public or private street adjacent to the Project ("Additional Land"), provided that the annexation of such Additional Land is consistent with the Site Plan or for the purposes of reflecting changes or modifications to the Site Plan which have been approved by the City and other applicable Governmental Authorities, by recording a supplemental declaration ("Supplement"). The Supplement may contain such complementary additions and modifications to the terms of this Declaration as may be necessary or desirable to reflect the different character, if any, of the Additional Land being subjected to this Declaration and as are not inconsistent with the general scheme of this Declaration, including the right to grant or reserve easements for the benefit of such Additional Land. To the extent that any Additional Land is made part of the Project, reference herein to the Project Land shall be deemed to include such Additional Land. Declarant is not obligated to add to the Project, to develop any Additional Land under a common scheme, or be prohibited from changing development plans with respect to future portions of the Project comprised of any Additional Land. All Residential Owners by acceptance of a deed to their Living Units and Lots, consent to any change, rezoning or addition made by Declarant and shall evidence such consent in writing if requested to do so by Declarant at any time without obviating the effect of this provision.

After the Turnover Date, upon the vote or written consent of seventy five percent (75%) of the votes held by the Members of the Association, any real property which is contiguous to the Project Land or which is contiguous with a public or private street adjacent to the Project Land may be brought under the provisions of this Declaration and thereby added to the Project, 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 appropriate Governmental Authorities. To the extent that any contiguous property approved for annexation by the Members after the Turnover Date is thereafter made part of the Project, reference herein to the Project Land shall be deemed to include such property.

B. Association Property within Additional Land. If any Additional Land is subjected to this Declaration as permitted by this Declaration, any Association Property located within such newly annexed portion of the Project Land shall be conveyed to the Association as provided in Article 4.

C. HUD/VA Approval. If prior to the Turnover Date, the Project is subject to any requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency that insures, guaranties, or purchases mortgages, and such requirements make the annexation of any Additional Land subject to the approval of such agency, then the annexation of any such Additional Land will require the prior approval of such agency.

D. 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, any applicable consent required as provided above) for the purpose of removing certain portions of the Project Land 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 plan of development for the Project.

ARTICLE 13  
ENFORCEMENT; NON-MONETARY DEFAULTS; ASSOCIATION REMEDIES

A. **Enforcement.** The covenants and restrictions herein contained may be enforced by Declarant, Builder (so long as the applicable party holds an equitable or legal interest in any portion of the Project Land), the Association, any Residential Owner, and any Institutional Mortgagee holding a mortgage on any portion of the Project Land, 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 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, 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 provisions of this Declaration from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

B. **Non-Monetary Defaults of Residential Owners.** In the event of a violation by any Residential Owner or any tenant of a Residential 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 Residential Owner and any tenant of the Residential 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 Residential 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 Residential Owner or tenant as provided in this Article; and/or
2. Commence an action to enforce the performance on the part of the Residential 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 Residential Owner as an Individual Expense Assessment. The Association shall have a lien for any such Individual Expense Assessment and any associated Interest, costs or expenses, including Legal Fees, and may take such action to collect such Assessment or foreclose said lien in the manner of any other Assessment as provided in this Declaration. Any such lien shall only be effective from and after the recording of a claim of lien in the Public Records or applicable court of jurisdiction.

C. **Fines.** The amount of any fine shall be determined by the Board, and shall not exceed any amount mandated by applicable law, if any. Prior to imposing any fine, the Residential Owner or tenant shall be afforded an opportunity for a hearing after reasonable notice to the Residential 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 Residential Owner of a leased Living Unit shall have the right to participate in

any hearing involving the tenant of such Living Unit, and the Association shall provide notice to the Residential Owner of such Living Unit concurrently with the Association's notice to the tenant of the subject Living Unit. The Residential 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 Residential Owner or tenant. If the Residential Owner or tenant fails to attend the hearing as set by the Board, the Residential Owner or tenant shall be deemed to have admitted the allegations contained in the notice to the Residential 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 a Residential 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 same is due, the Association shall have the right to evict the tenant as hereinafter provided.

D. Negligence. A Residential 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 Living Unit or the Association Property.

E. Responsibility for Occupants, Tenants, Guests, and Invitees. Each Residential Owner shall be responsible for the acts and omissions, whether negligent or willful, of any person residing in his Living Unit, and for all guests and invitees of the Residential 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 Residential 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 Living Unit, or any guest or invitee of a Residential Owner or any resident of a Living Unit, shall also be deemed a violation by the Residential Owner, and shall subject the Residential Owner to the same liability as if the violation was that of the Residential Owner.

F. Eviction of Tenants, Occupants, Guests, and Invitees. To the extent permitted by applicable law, if any tenant or any person present in any Living Unit other than a Residential Owner and the members of his immediate family permanently residing in the Living Unit, 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 other residents of the Project, 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 Project. If such person does not immediately leave the Project, the Association is authorized to commence an action to evict such tenant or compel the Person to leave the Project and, where necessary, to enjoin such person from returning, provided such actions are permitted by applicable law. The expense of any such action, including Legal Fees, may be assessed against the applicable Residential Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have the same lien rights as for other Assessments provided for herein. The foregoing remedy, if permitted by applicable law, shall be in addition to any other remedy of the Association. The Association shall provide notice to the Residential Owner of a leased Living Unit concurrently with any notices sent to the tenant of such Living Unit pursuant to this Section, and such Residential Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Residential Owner's Living 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. Notwithstanding the foregoing, the Association's rights granted by this Section are expressly subject to the provisions of all applicable law and as such, may not be enforceable or may be invalidated according to such law.

G. 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.

H. 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 14 AMENDMENT

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 Article, only Declarant may amend this Declaration, which amendment can be made without the approval of any Member provided the amendment does not materially alter or change any Residential Owner's right to the use and enjoyment of such Residential Owner's Living Unit, or of the Association Property as set forth in this Declaration, and the amendment does not adversely affect the title to any Living Unit.

B. After the Turnover Date. After the Turnover Date, and except for the annexation of Additional Land which shall be accomplished pursuant to the provisions of Article 12, this Declaration may be amended by: (i) the 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; together with (ii) the approval or ratification of a majority of the Board, provided that the percentage of votes attributable to the Class A Members 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 sixty-seven percent (67%) of the votes held by each class of Members of the Association may be evidenced by a writing signed by the required number of Members (in lieu of a meeting) or by the affirmative vote of the required number of Members 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. Amendments for correction of scrivener's errors or other nonmaterial changes may be made by Declarant alone until the Turnover Date and by the Board thereafter and without the need of consent by the Owners or any other Person.

D. Amendments to Declarant's or Builder's Rights. No amendment to this Declaration shall be effective which shall impair or prejudice the rights or priorities of Declarant, Builder, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such party affected thereby. Furthermore, no amendment to this Declaration shall be effective which would prejudice the rights of a then Residential Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Residential Owner or Residential Owners so affected consent to such amendment in writing. No amendment to this Declaration shall be effective which shall eliminate or modify the provisions of Section F of Article 15 and any such amendment shall be deemed to impair and prejudice the rights of Declarant and Builder hereunder.

E. FHA/VA Approval Prior to Turnover Date. As long as the "Class B" membership exists, and except for amendments permitted to be made by Declarant as provided herein, if the Project is subject to any requirements of the Veteran's Administration ("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, and such requirements make any material amendments of this Declaration subject to such agency's approval, a material amendment of this Declaration will require the prior approval of such agency.

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 Project Land requesting notice. The amendment shall become effective upon the recording of a Certificate of Amendment to this Declaration setting forth the amendment in the Public Records.

G. Amendments to Satisfy Lending Requirements. Declarant may, without the consent of any Residential 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 Home 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 HUD.

H. Boundary Adjustments. While Declarant or Builder owns any Lot or Living Unit, Declarant reserves the right of Declarant and Builder to make minor boundary adjustments between the Lots owned by Declarant or Builder (as applicable) and any Association Property without the consent or approval of any other Person, provided that any such adjustment will not materially decrease the acreage of the Association Property and, if required in order to eliminate any conflict with the Site Plan as a result of such adjustment, will be reflected by a modification of the Site Plan approved by the City. If such amendment is to be made following the conveyance of the subject Association Property to the Association, the Association is obligated to sign any plats, deeds, or other instruments or forms necessary to accomplish any of the actions that Declarant and Builder are permitted to take in accordance with this Section.

#### ARTICLE 15 GENERAL PROVISIONS

A. Conflict with Other Association Documents. In the event of any conflict between the provisions hereof and the provisions of the Articles, 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 Residential Owner, at the address of the person whose name appears as the Residential 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 Living Unit owned by such Residential Owner; and (ii) the Association, certified mail, return receipt requested, at 6504 Falls of Neuse Road, Suite 150, Raleigh, N.C., 27615, or such other address as the Association shall hereinafter notify Declarant and the Residential Owners of in writing; (iii) Declarant, certified mail, return receipt requested, 6504 Falls of Neuse Road, Suite 150, Raleigh, N.C., 27615, 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 Residential Owners.

C. Captions, Headings and Titles. Article and Section captions, headings and titles inserted throughout this Declaration are 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 of the terms and provisions hereunder or the terms and provisions of this Declaration.

D. 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.

E. Severability. 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. 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. If 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.

F. Certain Rights of Declarant and Builder. Improvements constructed or installed by Declarant and Builder shall not be subject to the approval of the Association or the Committee. During the period that Improvements constructed by Declarant or Builder are owned by the applicable party, those Improvements shall not be subject to the provisions and requirements of this Declaration. Declarant reserves the right for Declarant, Builder, and their nominees, to enter into and transact on the Project Land any business necessary to consummate the sale, lease or encumbrance of Lots and Living 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 Living Units. Declarant reserves the right of Declarant and Builder to make repairs to the Association Property and to carry on construction activity for the benefit of the Project Land, and its nominees may exercise the foregoing rights applicable to each 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, Builder, or their nominees, as applicable. This Section 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 and Builder. 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. For the purposes of this Section, the terms "Declarant" and "Builder" shall include any "Lender" which has loaned money to Declarant or Builder to acquire or construct Improvements upon the Project Land or its successors and assigns if such Lender, its successors or assigns, acquires title to any portion of the Project Land as a result of the foreclosure of any mortgage encumbering any portion of the Project Land securing any such loan to Declarant or Builder or acquires title thereto by deed in lieu of foreclosure. The rights and privileges of Declarant and Builder as set forth in this Section, which are in addition to, and are no way a limit on, any other rights or privileges of Declarant or Builder under any of the Association Documents, shall terminate upon Declarant or Builder (as applicable) no longer owning any portion of the Project Land (and having any equitable or legal interest therein) or upon such earlier date as Declarant or Builder shall notify the Association in writing of such party's voluntary election to relinquish the aforesaid rights and privileges.

G. Association's Indemnification. The Association covenants and agrees that it will indemnify and save harmless Declarant, Builder, 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 Project Land 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. 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 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 a Residential Owner as a result of ownership of a Lot or a Living Unit.

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. Any use by Declarant and Builder of the Project Land or any parts thereof

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. 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.

J. Term. This Declaration shall run with and bind the Project Land and inure to the benefit of Declarant, Builder, the Association, the Residential Owners, and their respective legal representatives, heirs, successors and assigns for a term of twenty-five (25) years from the date this Declaration is recorded in the Public Records, 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 any applicable term in effect, an instrument agreeing to terminate this Declaration signed by Residential Owners owning at least two-thirds (2/3) of the Living Units, and Institutional Mortgagees holding first mortgages encumbering at least two-thirds (2/3) of all Living Units encumbered by first mortgages held by Institutional Mortgagees, is recorded in the Public Records, whereupon this Declaration shall be terminated upon the expiration of the applicable term in effect at the time.

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 Residential Owners and the Institutional Mortgagees. In addition, evidence of insurance shall be issued to each Residential Owner and mortgagee holding a mortgage encumbering a Living 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 Living Unit 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 Living Unit or Lot; and
- iv. Any failure by a Residential Owner owning a Living Unit encumbered by a mortgage held, insured or guaranteed by such Listed Mortgagee to perform his obligations under the Association Documents, where such failure 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 receive 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.

L. Approval of Association Lawsuits by Residential Owners. The Association shall be required to obtain the approval of Members holding at least three-fourths (3/4) of the total votes of the Association (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 Residential 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 Residential Owners creates a substantial risk of irreparable injury to the Association Property or to Residential 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 total votes of the Association);
5. filing a compulsory counterclaim; or
6. termination of employment relationship or enforcement of a contract.

M. Rights and Requirements of Governmental Authorities. Any Governmental Authority or agency, including, but not limited to the City or the County, their agents, and employees, shall have the right of immediate access to the Project Land 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 the Project for an unreasonable time, not to exceed ninety (90) days after written request to do so, the City, the County and any other applicable Governmental Authority, by and through the affirmative and official action 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. 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 that the Association might have taken, or levy an Assessment that the Association may have levied, either in the name of the Association or otherwise, to cover the cost of maintenance of any Association Property. The rights granted herein shall be supplemental to any governmental authority the City or the County may have, and application of this provision shall not diminish, limit, or restrict the right of the City or the County to apply any other legal rights it may have.

N. Joinder and Consent of Lender. SunTrust Bank, a national banking association and the holder and beneficiary of a first lien security interest in a portion of the Project Land, hereby joins in the execution of this Declaration for the purpose of confirming its recognition of this Declaration and agreeing not to extinguish, terminate or void this Declaration or otherwise alter, diminish or limit the terms and conditions of this Declaration, upon any foreclosure of its lien or otherwise.

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

**DECLARANT:**

BELCREST DEVELOPERS, LLC  
a North Carolina limited liability company

By: \_\_\_\_\_

  
Jerry Owen  
Manager/Member

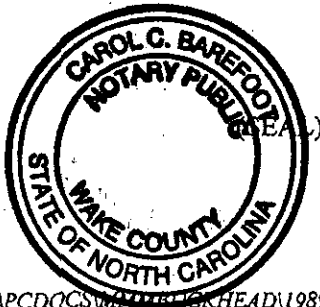
Date: \_\_\_\_\_

May 14, 2008

STATE OF NORTH CAROLINA §

COUNTY OF WAKE §

The foregoing instrument was acknowledged before me, this 14 day of MAY, 2008, by Jerry Owen, the Manager/Member of Belcrest Developers, LLC, a North Carolina limited liability company.



Carol C. Barefoot

Notary Public for CAROL C. BAREFOOT

MY COMMISSION EXPIRES: 8/22/2012

::ODMAPCDOCS\MIDWEST\KHEAD\198960112

**JOINDER AND CONSENT OF LENDER**

The undersigned, as holder and beneficiary of a security interest in a portion of the Project Land pursuant to Deeds of Trust recorded at Book 5206, Page 283, and at Book 5948, Page 421, both in the Durham County Registry (the "Deeds of Trust"), hereby joins in the execution of this Declaration for the purpose of agreeing and acknowledging that upon any foreclosure or deed or other proceedings in lieu of foreclosure of the Deed of Trust, or upon any other action taken to enforce the lien of the Deed of Trust, the foregoing Declaration and the rights granted therein shall remain in full force and effect, and shall not be void as a result of any such foreclosure, deed or other proceeding in lieu of foreclosure or other action.

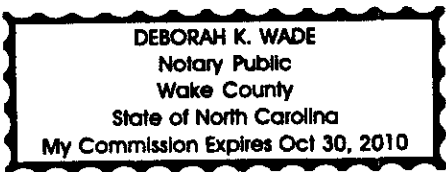
**LENDER:**  
**SUNTRUST BANK,**  
**A national banking association**

By: *[Signature]*  
Name: John A. Sneed  
Title: First Vice President  
Date: 5/13/08

STATE OF North Carolina §  
COUNTY OF Wake §

I, the undersigned, a Notary Public for the County and State aforesaid, certify that John A. Sneed personally appeared before me this day and, being duly sworn, says and deposes, that he/she is the First Vice President of SunTrust Bank, a national banking association, and that he/she executed the foregoing instrument for and on behalf of such bank.

WITNESS my hand and official seal, this the 13<sup>th</sup> day of May, 2008.



*[Signature]*  
Notary Public Deborah K. Wade

My Commission Expires: 10/30/2010

## **EXHIBIT "A"**

### **Legal Description of the Project Land**

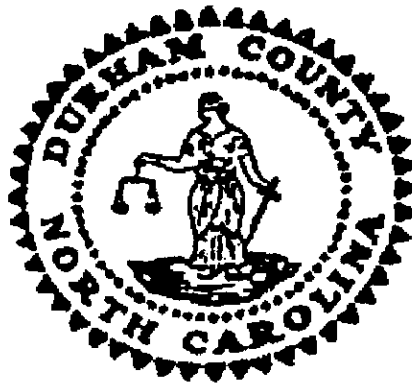
LYING and being in the City of Durham, Durham County, North Carolina, and being more particularly described as follows:

BEING the real property shown on the plat entitled "Subdivision and Right-Of-Way Dedication Plat: Belcrest Subdivision For: Belcrest Developers, LLC" prepared by S.D. Puckett & Associates and recorded in Plat Book 181, Pages 253-258, of the Durham County Registry, including but not limited to: (i) Lots 1-52, inclusive, and (ii) "Open Space 1", "Open Space 2", "Open Space 3", "Open Space 4", and "Open Space 5", which open spaces together consist of approximately 5.48 acres, in Belcrest Subdivision, to which plat reference is made for a more particular description.

**EXHIBIT "B"**

Current Development Plan of the Project

[Attach reduced version of current site plan/preliminary plat]



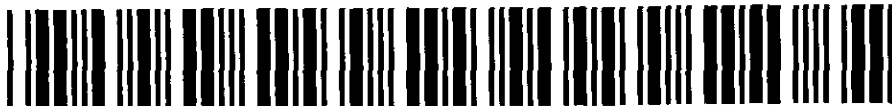
WILLIE L. COVINGTON  
REGISTER OF DEEDS, DURHAM COUNTY  
DURHAM COUNTY COURTHOUSE  
200 E. MAIN STREET  
DURHAM, NC 27701

**PLEASE RETAIN YELLOW TRAILER PAGE**

It is part of recorded document, and must be submitted with original for re-recording  
and/or cancellation.

\*\*\*\*\*

**Filed For Registration:** 05/15/2008 10:44:11 AM  
**Book:** RE 5956 **Page:** 85-130  
**Document No.:** 2008019803  
**DECL 46 PGS \$146.00**  
**Recorder:** APRIL J WILLIAMS



2008019803