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NORTH CAROLINA

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR LANDFALL
SUBDIVISION II, AND ANNEXATION TO
MASTER CROSS-ACCESS EASEMENT AND
MAINTENANCE AGREEMENT

NEW HANOVER COUNTY

THIS DECLARATION is made on the date hereinafter set forth by
LANDFALL ASSOCIATES, a North Carolina joint venture in the form
of a general partnership, hereinafter referred to as "Declarant."

WITNESSETH:

Declarant is the owner of certain property in New Hanover
County, North Carolina, which is more particularly described as
follows:

All of that land shown on the plat entitled "Landfall
Subdivision II, Block 19," which appears of record in the
Office of the Register of Deeds of New Hanover County, North
Carolina, in Map Book 34, Page 341 ("Block 19"); and

All of that land shown on the plats entitled "Landfall
Subdivision II, Block 23," which appear of record in the
Office of the Register of Deeds of New Hanover County, North
Carolina, in Map Book 34, Pages 342, 343, 344, 345
and 346; ("Block 23").

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Blocks 19 and 23, as defined above, together with any
additional property which may be annexed hereto pursuant to
the provisions of Article XI of this Declaration, shall be
referred to herein as the "Property."

Declarant is also the owner of other properties located
adjacent to the Property, which it has developed and will develop
for residential, office and institutional, commercial and hotel
uses. Among such properties Declarant has developed are the
Landfall Subdivision I and Pembroke Jones Park at Landfall
residential developments. In its development of properties
(including the Property), and in connection with the sale of
adjacent properties for development by others, Declarant wishes
to ensure the proper use, development and improvement of each
such property so as to protect owners, residents and occupants
thereof by restricting the uses of such properties for purposes
consistent with the overall development of the properties and by
encouraging the erection of attractive, harmonious, permanent
improvements appropriately located within all such properties.

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Consistent with its general development plans for adjacent properties and for the Property, Declarant hereby declares that the Property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of the Property and adjacent properties now or formerly owned by Declarant. These easements, restrictions, covenants and conditions shall run with the Property and be binding on all parties now or hereafter having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

SECTION 1. "Association" shall mean and refer to LANDFALL SUBDIVISION II OWNERS ASSOCIATION, INC., its successors and assigns.

SECTION 2. "Common Area" shall mean all real property, interests therein and improvements thereon, and all personal property, owned by or leased to the Association for the common use and enjoyment of all or any portion of the Owners. The Common Area at the time of the conveyance of the first Lot is described as follows:

All streets, roads, rights-of-way and any areas designated as "Common Area" as shown on the previously referenced plat of Block 19; and

All streets, roads, rights-of-way and any areas designated as "Common Area" as shown on the previously referenced plats of Block 23.

SECTION 3. "Council" shall mean and refer to The Landfall Council of Associations, Inc., a North Carolina non-profit corporation, its successors and assigns.

SECTION 4. "Declarant" shall mean and refer to Landfall Associates, its successors and assigns.

SECTION 5. "Delegation" shall mean and refer to the Delegation of Powers and Authority dated as of March 16, 1992, which is recorded in Book 1594, Page 1476 of the New Hanover County Registry, as amended from time to time.

SECTION 6. "Lot" shall mean and refer to a numbered parcel of land shown upon any recorded subdivision map of the Property, with the exception of Common Area.

SECTION 7. "Master Easement" shall mean and refer to the Master Cross-Access Easement and Maintenance Agreement dated as of October 22, 1990 which is recorded in Book 1515, Page 1583 of the New Hanover County Registry, as amended from time to time.

SECTION 8. "Member" shall mean and refer to every person or entity who holds membership with voting rights in the Association.

SECTION 9. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to a Lot, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 10. "Property" shall mean and refer to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 11. "Shared Common Area" shall mean and refer to those portions of the Common Area maintained by the Council pursuant to Article IV, Section 3(a), (b) and (c) of this Declaration and/or designated as such on plats of the Property.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. OWNERS' EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the provisions of this Declaration, the Articles of Incorporation and Bylaws of the Association and the following provisions:

(a) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area (other than Shared Common Areas subject to the Council's jurisdiction);

(b) the right of the Council to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Shared Common Area;

(c) the right of the Association to suspend the voting rights of and the right to the use by an Owner of recreational facilities located in Common Area (other than Shared Common Area subject to the Council's jurisdiction) for any period during which any assessment against such Owner's Lot remains unpaid and, for a period not to exceed sixty (60) consecutive days, for any infraction of its published rules and regulations;

(d) the right of the Council to suspend the right to the use by an Owner of recreational facilities located in Shared Common Areas for any period during which any Shared Common Expense assessment against such Owner's Lot remains unpaid and, for a period not to exceed sixty (60) consecutive days, for any infractions of its published rules and regulations;

(e) the right of the Association to grant easements and rights-of-way, to dedicate or transfer all or any part of the Common Area (other than Shared Common Area subject to the Council's jurisdiction) to any public agency, authority or utility (including any entity authorized by a governmental agency having appropriate jurisdiction over the Property to supply cable television service) for such purposes and subject to such conditions as may be agreed to by the Board of Directors of the Association. No such dedication or transfer shall be effective unless an instrument signed by a majority of the Board of Directors, agreeing to such dedication or transfer, has been recorded;

(f) the right of the Council to grant easements and rights-of-way, to dedicate or transfer all or any part of the Shared Common Area subject to its jurisdiction under this Declaration to any public agency, authority or utility (including any entity authorized by a governmental agency having appropriate jurisdiction over the Property to supply cable television service) for such purposes and subject to such conditions as may be agreed to by the Council;

(g) the right of the Association to impose regulations for the use and enjoyment of the Common Area (other than Shared Common Area subject to the Council's jurisdiction) and improvements thereon, which regulations may further restrict the use of such Common Area;

(h) the right of the Council to impose regulations for the use and enjoyment of the Shared Common Area and improvements thereon, which regulations may further restrict the use of such Shared Common Area; and

(i) the right of the Association to exchange portions of the Common Area with the Declarant for substantially equal areas of additional property to be added to the Common Area. Upon such exchange, the area conveyed by the Association shall cease to be Common Area and shall cease to be subject to the provisions of this Declaration, and the additional area acquired by the Association shall thereupon be and become Common Area, subject to all provisions of this Declaration; provided, however, that the written consent of the Council shall be required as to any such exchanges which involve portions of the Shared Common Area subject to the jurisdiction of the Council.

SECTION 2. DELEGATION OF USE. Any Owner may delegate his right of enjoyment to the Common Area to the members of his family, his guests, tenants of Owner holding a leasehold estate of at least six (6) months under a written lease agreement, and contract purchasers of a Lot, subject to such rules and regulations as may be established from time to time by the Association or the Council, as the appropriate party having jurisdiction over such Common Area.

SECTION 3. CONVEYANCE OF COMMON AREA BY DECLARANT. The Declarant covenants for itself, its successors and assigns, that it shall convey the Common Area (including the Shared Common Areas) to the Association, in fee simple and at no cost to the Association, after Declarant has completed improvements thereon, if such be required, such that the facility is functionally complete. The Association shall accept the conveyance and immediately become responsible for all maintenance and operation of such properties, subject to the provisions of Article IV of this Declaration relating to maintenance by the Council. Any areas to be conveyed may be conveyed in large or small parcels from time to time after the Declarant has completed the surveying and platting of subdivisions or sites which may abut such areas. All said parcels of land shall be conveyed to the Association subject to this Declaration, all easements, rights-of-way and restrictive covenants of record at the time of conveyance. Properties to be conveyed by Declarant shall include, but shall not be limited to:

(a) any private roads and rights-of-way within the Property or which connect Lots to public roads or highways.

(b) open space or Common Area designated as such on plats of the Property recorded in the Office of the Register of Deeds of New Hanover County, North Carolina.

The date of said conveyance(s) by the Declarant shall be at the Declarant's sole option; provided, however, said conveyances shall take place on or before December 31, 2005.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERSHIP. Every Owner of a Lot within the Property shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

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

Class A. Class A Members shall be all Owners other than the Declarant. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Declarant, who shall be entitled to three (3) votes for each Lot owned by it. The Class B membership shall cease and be converted to Class A membership on December 31, 2005, or on such earlier

date as Declarant shall elect, in writing, to convert its Class B membership to Class A membership.

SECTION 3. RIGHTS OF DECLARANT. Notwithstanding anything to the contrary herein, until December 31, 2005, or such earlier date as Declarant shall elect, in writing, to release the following described right, Declarant shall have the right to designate and select a majority of the Board of Directors of the Association. Whenever Declarant shall be entitled to designate and select any person to serve on any Board of Directors of the Association, the manner in which such person shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association. Declarant shall have the right to remove any person selected by it to act and serve on said Board of Directors and to replace such person with another person to act and serve in the place of any Director so removed for the remainder of the unexpired term of such Director. Any Director designated and selected by Declarant need not be the Owner of a Lot in the Property. Any representative of Declarant serving on the Board of Directors of the Association shall not be required to disqualify himself from any vote upon any contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest. Similarly, Declarant, as a Member of the Association, shall not be required to disqualify itself upon any contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest.

ARTICLE IV

ANNEXATION TO MASTER EASEMENT

Paragraph 14(A) of the Master Easement provides that Declarant may (i) subject additional property to the terms and provisions of the Master Easement; (ii) grant to future Owners of such additional property the easements and licenses created in the Master Easement in and to the Shared Common Area; and (iii) subject such future Owners to assessment for the Shared Common Area Expenses, as defined in the Master Easement. Pursuant to Paragraph 14(A) of the Master Easement, Declarant hereby provides as follows:

(1) Declarant hereby grants to all future Owners within the Property, their family members, tenants, guests and invitees, and to the Association, a perpetual, non-exclusive easement of passage and use, both vehicular and pedestrian, over, across and through any and all portions of the Shared Common Areas and Facilities, as defined in Paragraph 1(c) of the Master Easement. The rights and easements herein granted are subject to all provisions of the Master Easement and the Delegation, including but not limited to the right of the Council to regulate the use of the Shared Common Area.

(2) The Property, all future Owners within the Property (including Lot Owners) and the Association shall be subject to the terms of the Master Easement. As more specifically set out in Article V of this Declaration, the common expenses of the Association, as defined in this Declaration, shall include the Shared Common Expenses, as defined in the Master Easement. The Shared Common Expense determined pursuant to Paragraph 6 of the Master Easement is and shall be a lienable assessment against each Lot, as well as the personal obligation of the Lot Owner.

(3) In consideration of the payment of Shared Common Expense assessments by Owners of Lots within the Property, and provided that all conditions of this Article IV are met:

(a) After completion of construction of the roads and streets within the Property, the Council will assume responsibility for the maintenance and repair of the roads and streets and of all pole lighting illuminating the roads and streets (including the payment of utility bills for such light fixtures). Provided, however, that the Association and not the Council shall be responsible for (i) maintenance, repair and utility expenses for any accent and/or landscape light fixtures located within the Common Area of the Property; (ii) mowing, maintenance and upkeep of all grassed and landscaped areas within road and street rights-of-way and within the Common Area in the Property; and (iii) maintenance and repair of all walls and other structures erected within the Common Area, except as otherwise provided in this Paragraph 3.

(b) After completion of construction of any lakes and ponds, including retention ponds, and related facilities within the Property, the Council will treat the water and maintain the water level in any such lake or pond in the same manner and upon the same frequency as the Council treats the waters and maintains water levels in lakes and ponds within Landfall Subdivision I and Pembroke Jones Park at Landfall. It shall be the responsibility of Lot Owners or the Association, as the case may be, to maintain any ground surface area belonging to the Lot Owner or the Association which adjoins any lake or pond (including any irrigation system located on such property). The Council shall also maintain and repair any wells and related equipment installed to maintain water levels within such lakes or ponds. Provided, however, that the Council shall have no obligation to control or remove vegetative growth in any body of water in order to protect or provide Lot Owners' views across such bodies of waters. An Owner whose Lot directly abuts a body of water may, by manual control measures and not by chemical action, remove vegetative growth in the water abutting his Lot if he wishes to do so to protect his views, subject to such regulations as the Declarant, the Council or the Association may hereafter prescribe as part of its architectural control functions under Article VII of this Declaration.

(c) After completion of construction of any storm drainage facilities installed for the sole purpose of directing street

run-off, the Council will assume responsibility for the maintenance and repair of any such facilities which are located within (i) the rights-of-way of any street which the Council maintains; (ii) drainage easement areas reserved in Article X, Section 3 of this Declaration; (iii) drainage easement areas shown on recorded plats of the Property; and (iv) drainage easement areas created in recorded easement agreements, if the Council specifically agrees in such easement agreement to maintain such facilities. Provided, however that the Council shall not be responsible for mowing or other ordinary maintenance of the ground surface around or above any such storm drainage areas and facilities, but the owner of such ground surface (whether the Association or Lot Owner) shall be responsible for performing such functions. The Council shall not be responsible for repairing any grassed or landscaped areas nor for replacing any shrubs or trees within any storm drainage areas which are damaged or removed in the course of any maintenance performed within such areas.

(d) The Council shall maintain adequate hazard and liability insurance for all areas within the Property which it is responsible to maintain, in such amounts as the Council shall deem necessary and appropriate, shall procure and maintain fidelity insurance as it deems appropriate, and the costs of such insurance shall be a part of the Shared Common Expense.

(e) Provided, however, that before the Council shall become responsible for the repair and maintenance described in subparagraphs 3(a), (b) and (c), all of the following conditions must be met:

(i) (a) Before the Council shall become responsible for maintenance of any streets or roads, the Council shall have been furnished with written evidence prepared by a licensed materials testing engineer that such streets and roads meet the construction standards for residential streets established under the North Carolina Department of Transportation "Standard Specifications for Roads and Structures." The then owner of such streets and roads, and not the Council, shall be responsible for any fees or charges incurred in connection with the testing of such roads and for the report furnished by any testing engineer;

(b) Before the Council shall become responsible for maintenance of any lakes and ponds, the Council shall determine that such lakes and ponds have been completed in accordance with the grading and drainage plans and general landscape plans approved pursuant to Article VII of this Declaration for such lakes, ponds and surrounding areas, that the surrounding areas have been satisfactorily sodded and an appropriate irrigation system installed therein, and that, if required by Declarant, the Committee or the Board, as the case may be, pursuant to Article VII of this Declaration, an adequate well and related facilities and/or structures have

been satisfactorily installed for the purpose of maintaining the water levels in the lakes and ponds; and

(c) Before the Council shall become responsible for maintaining and repairing the storm drainage facilities, the Council shall determine that such facilities have been completed in accordance with the plans therefor approved pursuant to Article VII of this Declaration.

After the Council has assumed maintenance responsibilities for any of the facilities described in this Paragraph 3, in the event the Council reasonably determines that the maintenance responsibilities and/or costs therefor have been created or increased by the negligent or willful act or omission of an Owner, the Council may give written notice to such Owner requiring the Owner to correct the condition causing such increased responsibilities and costs, or to pay for any increased costs. If the Owner fails to correct such condition or to pay such costs within thirty (30) days from such notice, the Council shall make the necessary corrections at the Owner's expense, and shall have the right to file a lien against said Owner's Lot for such costs, which lien shall secure such costs, interest and reasonable attorneys fees.

(4) The Association shall be a "Future Association" within the meaning of the Master Easement, and the rights and easements granted to Lot Owners in Paragraph 1 of this Article IV shall be enforceable through the Association.

(5) Each Lot Owner shall be a Full Share Member within the meaning of the Master Easement, with all voting rights, easement rights and other rights and obligations of a Full Share Member as set out in the Master Easement.

(6) Declarant hereby grants to the Council, its successors and assigns, the right to enter onto the Property with vehicles and equipment as necessary to effectuate the maintenance and repairs specified in this Article IV.

ARTICLE V

OBLIGATION FOR SHARED COMMON EXPENSE ASSESSMENTS

(1) In addition to the segment assessments and special segment assessments which may be payable by Lot Owners to the Association pursuant to Article VI of this Declaration, any subsequent Owner of the Property, including the Owner of each Lot, shall, by the acceptance of a deed or other conveyance for such Lot, whether or not it is so expressed in such deed, be

obligated to pay to the Council, as required under Paragraph 6 of the Master Easement, a Full Share Member's Shared Common Expense assessment. This annual assessment shall be due on January 1 of the year for which it is assessed, provided that the Council may make provision for payment thereof in installments. Upon demand, the Council shall furnish to any Owner or mortgagee a certificate showing the assessments or charges, or installments thereof, due as of any given date.

(2) In addition to the Shared Common Expense assessment, the Council may levy special assessments pursuant to Paragraph 10 of the Master Easement, if necessary to meet any emergency conditions arising out of the prosecution of the purposes outlined in Paragraph (3) below.

(3) The funds arising from the Shared Common Expense annual assessments or special assessments may be used for any or all of the following purposes: Maintenance, operation, improvement and protection of any portion of the Property which the Council is obligated under this Declaration to maintain or hereafter specifically agrees in writing to maintain; enforcing the Master Easement, the Delegation or these restrictions; maintaining and operating the Shared Common Area located outside the Property for the use of Owners and other persons entitled to such use under the Master Easement; and such other purposes as are allowed under the Master Easement and Delegation. The judgment of the Council in the making of annual assessments or charges or special assessments and the expenditures of funds shall be final.

(4) Upon the failure of a Lot Owner to pay the Shared Common Expense annual assessment, special assessment, or any installment thereof when due, the Council shall have the right to collect the amount thereof by an action at law against the Owner as for a debt, and may bring and maintain such other suits and proceedings at law or at equity as may be available. The Owner(s) of each Lot shall be personally liable, jointly and severally, to the Council for payment of all Shared Common Expense assessments, annual or special, which may be levied by the Council against such Lot while such Owner(s) own the Lot. Unpaid annual assessments or charges, special assessments, or installments thereof, shall bear interest at twelve percent (12%) per annum from the due date thereof until paid.

(5) The Council shall not be obligated to spend in any one calendar year all of the sums collected during said year by way of annual assessments or special assessments and may carry forward to surplus any balance remaining. The Council shall not be obligated to apply any such surplus to the reduction of charges in the succeeding year.

(6) The Council shall have authority, in its discretion, to borrow money to expend for the purposes set forth in the Master Easement and in this Declaration, upon such terms and security and for such periods as it may determine, and to repay such borrowings and the interest thereon from the Shared Common Expense assessments or special assessments provided for in this Article.

(7) The Shared Common Expense annual assessment provided for in this Article shall commence as to a Lot on the first to occur of the following: (i) the first day of the month following the Council's acceptance for maintenance purposes of any of the Shared Common Areas located within the Block in which such Lot is located, pursuant to Paragraph 3 of Article IV of this Declaration; or (ii) first day of the month after a dwelling on such Lot is first occupied (whether by the Lot Owner or any other person), other than temporary occupancy by prospective purchasers in dwellings owned or leased by Declarant.

(8) Expenses for the maintenance and operation of facilities owned or managed by Landfall Club, Inc. (clubhouses, pools, tennis courts and golf courses) shall not be included in this assessment. The right to use any of these facilities shall be by separate membership only.

(9) No Owner of a Lot may exempt himself from liability for a Shared Common Expense assessment levied against him or his Lot by waiver of the use of enjoyment of any of the Shared Common Area, or by abandonment of the Lot or in any other way.

(10) Recognizing that proper operation and management of the Property and of the Shared Common Area require the continuing payment of costs and expenses therefor, and that such proper operation and management result in benefit to all of the Owners of Lots, and that the payment of the assessments levied and collected by the Council is necessary in order to preserve and protect the investment of each Lot Owner, the Council is hereby granted a lien upon each Lot, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Owner of each such Lot, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing the Council, and which lien shall also secure all late charges and fines which the Council may impose, and all costs and expenses, including reasonable attorneys' fees, which may be incurred by the Council in enforcing this lien upon said Lot. The lien granted to the Council may be foreclosed in the same manner that real estate deeds of trust and mortgages may be foreclosed under power of sale under the laws of the State of North Carolina, and in any suit for the foreclosure of said lien, the Council shall be entitled to a reasonable rental from the owner of any Lot from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a receiver for said Lot. The lien granted to the Council shall further secure such advances for taxes, and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Council in order to preserve and protect its lien, and the Council shall further be entitled to interest at the rate of twelve percent (12%) per annum on any such advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Lot, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Council, and shall acquire such interest in any Lot expressly subject to such lien rights.

(11) The lien herein granted to the Council shall be enforceable from and after the time of recording a claim of lien in the Office of the Clerk of Superior Court of New Hanover County, North Carolina, in the manner provided by Article 8 of Chapter 44 of the North Carolina General Statutes, which claim shall state the description of the Lot encumbered thereby, the name of the record owner, the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, fees, charges, late charges, fines, costs, attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Council. Upon full payment of all sums secured by such claim of lien, it shall be satisfied of record.

(12) The lien provided for herein shall be subordinate to: (i) any liens and encumbrances recorded before the docketing of the lien (including any mortgage or deed of trust); and (ii) liens for real estate taxes and other governmental assessments or charges against the Lot. Any person, firm or corporation acquiring title to any Lot by virtue of any foreclosure of a first deed of trust, deed in lieu of foreclosure of a first deed of trust or judicial sale relating to a first deed of trust, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Lot and its allocated interest in the common elements subsequent to the date of acquisition of such title, and it shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition of title to a Lot by foreclosure, deed in lieu of foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all Owners of all Lots as a part of the Shared Common Expense, including such purchaser, its heirs, successors and assigns, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

(13) In addition to the Shared Common Expense annual assessments and special assessments payable to the Council pursuant to this Article V and the segment assessments and special segment assessments, if applicable, payable to the Association pursuant to Article VI of this Declaration, each Lot Owner shall, at the time of the initial purchase of a platted Lot within the Property, pay to the Association a sum equal to two-twelfths (2/12) of the then-applicable Full Share Member's Shared Common Expense assessment, as additional working capital for maintenance of the Shared Common Areas. These amounts need not be segregated but may be commingled with other Association funds. Provided, however, that at the time Shared Common Areas located within a Block are accepted for maintenance by the

Council pursuant to Paragraph 3 of Article IV of this Declaration, all working capital funds collected thereafter at the purchase of Lots within such Block shall be paid to the Council, and may be commingled with other Council funds.

(14) In the event the Council is dissolved and no public agency, non-profit corporation or other organization succeeds to the functions of the Council, the Association shall, following such dissolution, be responsible for performing all maintenance within the Property imposed on the Council under Article IV of this Declaration, collect the Shared Common Expense assessment imposed under this Article V and exercise any other rights and obligations of the Council relating to the Property pursuant to the provisions of this Declaration, the Articles or the Bylaws of the Association.

ARTICLE VI

SEGMENT ASSESSMENTS

SECTION 1. SEGMENT ASSESSMENTS. In addition to the assessments authorized in Article V of this Declaration, the Association is hereby authorized to levy assessments for the maintenance and operation of Common Area amenities or facilities which the Council does not maintain (whether such amenities or facilities benefit all or less than all Owners within the Property), such assessments being referred to herein as "segment assessments." Segment assessments shall be levied in such amounts, at such times and against such Lots as the Board of Directors, in its sole discretion, shall determine; provided, however, that segment assessments shall be fixed at a uniform rate for all Lots subject to a specific segment assessment. Segment assessments may be collected on a quarterly, semiannual, annual or such other basis as the Board of Directors, in its discretion, shall determine. Declarant shall not be required to pay any segment assessments for Lots owned by it.

At least thirty (30) days in advance of a segment assessment period, the Board of Directors shall fix the amount of the segment assessment to every Owner subject thereto, and shall mail notice of such amount to each Owner subject to the segment assessment; provided, however, that delivery of a copy of such notice shall not be a condition precedent to the liability of any Owner for such segment assessment.

SECTION 2. SPECIAL SEGMENT ASSESSMENTS. In addition to the Shared Common Expense assessment authorized in Article V of this Declaration and the segment assessments authorized in Section 1 above, the Board of Directors may levy, in any year and without approval or consent by Lot Owners, a special segment assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any extraordinary maintenance, construction, reconstruction, restoration, repair or replacement of a capital improvement which is maintained by a segment

assessment. A special segment assessment must be fixed at a uniform rate for all Lots subject to the special segment assessment, and may be collected on a monthly, semiannual or annual basis or other periodic basis established by the Board. A special segment assessment shall be due and payable thirty (30) days following written notice by the Association to Lot Owners subject thereto.

SECTION 3. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. Each Owner of a Lot (subsequent to Declarant), by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association any segment assessments and special segment assessments levied against such Owner's Lot by the Association pursuant to the provisions of Sections 1 and 2 of this Article. The segment assessments and special segment assessments, together with interest, late fees, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, late fees, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. In the case of co-ownership of a Lot, all co-owners shall be jointly and severally liable for the entire amount of the assessments. The personal obligation of an Owner for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 4. PURPOSE OF ASSESSMENTS.

(a) The segment assessments and special segment assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Property and in particular for the operation and maintenance of any portion of the Common Area which the Council does not maintain pursuant to the provisions of Article IV of this Declaration, including but not limited to (i) maintenance, repair and utility expenses for any accent and/or landscape light fixtures within the Common Area; (ii) mowing, maintenance and upkeep of all grassed and landscaped areas within road and street rights-of-way and within other Common Area of the Property; and (iii) maintenance and repair of all walls and other structures erected within the Common Area, except as otherwise provided in Paragraph 3 of Article IV of this Declaration. Such assessments shall be used to cover the cost of labor, equipment, materials, management and supervision relating to such Common Area, the payment of taxes assessed against such Common Area, the procurement and maintenance of insurance for such portions of the Common Area, the employment of attorneys and other professionals to represent the Association when necessary, and such other needs as may arise. All such costs of the Association shall be common expenses, assessed against the Members, as hereafter set out. Provided that in the event any maintenance or repair cost is occasioned by the negligent or intentional act of an Owner, his family member, guest, tenant or

invitee, such Owner shall be responsible for the cost of such maintenance or repair, and the Association shall assess such Owner this amount and shall levy and collect same as an assessment payable under this Article.

(b) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense relating to the Common Area for which such segment assessment or special segment assessment is imposed. As monies for any assessment are paid into the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Lot. When an Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Property.

SECTION 5. COMMENCEMENT OF SEGMENT ASSESSMENTS. At the time this Declaration is recorded, the only segment assessment applicable within the Property is a segment assessment applicable to all Lots located within Block 23, in the present amount of Two Hundred Dollars (\$200.00) per Lot per year. Such segment assessment shall commence for each Lot subject thereto on the first to occur of the following: (i) the first day of the month following the initial sale or transfer of that Lot (whether such sale is by Declarant or by a third party who purchased a tract within the Property from Declarant and subdivided such tract into Lots); or (ii) the first day of the month after a dwelling on such Lot is first occupied (whether by the Lot Owner or any other person), other than temporary occupancy by prospective purchasers in dwellings owned or leased by Declarant. The first annual segment assessment shall be adjusted according to the number of months remaining in the calendar year after conveyance of such Lot. The amount of this segment assessment (or any segment assessment hereafter fixed and imposed by the Association) may be increased by the Board of Directors of the Association without approval by members in an amount not to exceed twenty percent (20%) of the segment assessment applicable in the previous year. Segment assessments may be increased in excess of twenty percent (20%) over the previous year's assessment by a vote of two-thirds (2/3) of the Lot Owners subject to the segment assessment then sought to be increased, at a meeting duly called for this purpose. Written notice of such meeting shall be sent to affected Lot Owners not less than ten (10) days nor more than