

WAKE COUNTY, NC 276
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
KILDAIRE CROSSING

PORTIONS OF THIS DECLARATION ARE SUBJECT TO MANDATORY
ARBITRATION.

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

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

Drawn by and upon recording, please return to:

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
KILDAIRE CROSSING

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR KILDAIRE CROSSING is made by **ASHTON RALEIGH RESIDENTIAL L.L.C.**, a North Carolina limited liability company (“Declarant”) and **CW-JONES, LLC**, a Delaware limited liability company (“Initial Owner”), and shall be effective on the date of its recordation in the Register of Deeds for Wake County, North Carolina.

WITNESSETH

WHEREAS, Initial Owner is the owner of that certain real property described on Exhibit A, attached hereto and incorporated herein by reference (“Property”) and generally referred to as “Kildaire Crossing”; and

WHEREAS, Declarant and Initial Owner deem it to be in the best interest of Kildaire Crossing, as it exists today and as may be added to it by Declarant in the future, to establish covenants, conditions, restrictions, and easements to promote efficiencies and to provide a flexible mechanism for the administration and maintenance of community facilities and services which are for the common use and benefit of the property owners in Kildaire Crossing; and

WHEREAS, this Declaration creates a planned community under the North Carolina Planned Community Act (N.C. Gen. Stat. Chap. 47F).

NOW THEREFORE, Declarant and Initial Owner hereby declare that this Declaration and the covenants, restrictions and easements established herein are covenants to run with the land and that all the Property, and any additional property as may be added by supplemental declaration or subsequent amendment hereto, and in accordance with the terms and conditions hereof, is herewith subject and subordinate to the terms, provisions and conditions hereof and shall be held, occupied, improved, used, mortgaged, transferred, sold, leased, rented, and conveyed subject to the easements, liens, charges, assessments, equitable servitudes, restrictions, covenants and conditions, which are for the purpose of protecting the value, use, enjoyment and desirability of the Property. Said covenants and restrictions will inure to the benefit of and are binding upon each and every Owner and his or her respective heirs, representatives, successors, purchasers, lessees, grantees and mortgagees. By the recording or acceptance of the conveyance of a Unit or any interest therein, the person or entity to which the interest is conveyed is deemed to accept and agree to be bound by the provisions of this Declaration and the Bylaws of the Association.

ARTICLE 1
DEFINITIONS.

1.1 Definitions.

When used in this Declaration, unless the context will prohibit or otherwise require, the following words, will have all the following meanings, and all definitions will be applicable to the singular and plural forms of such terms:

(a) "Additional Property" will mean and refer to any real property, and all improvements thereon, as may be added pursuant to Section 2.3 below.

(b) "Amenity" or "Amenities" will mean and refer to those portions of the Common Areas constituting recreational facilities and improvements. Amenity shall also include such other improved facilities designated for recreational use by the Declarant during the Declarant Control Period, and thereafter by the Board of Directors. When used in a sentence alone and without additional reference to its status as a Common Area, the term "Amenity" will refer to such specifically improved property and not to its classification as a Common Area generally.

(c) "Amenity Use Charge" will mean and refer to any fee, rental, costs, and other charge established by the Board of Directors for the use of an Amenity or the goods and services that may be offered thereat, and which, pursuant to the provisions hereof, may be imposed upon any Owner, or an Owner's family, tenants, or guests.

(d) "Architectural Review Committee" or "ARC" will mean and refer to the board or committee established pursuant to this Declaration to approve changes, additions or modifications to exterior and structural improvements, and its successor or the assign of the architectural review and approval authority of this Declaration. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized members, officers, agents, employees and contractors.

(e) "Articles of Incorporation" will mean and refer to the Articles of Incorporation of Kildaire Crossing Property Owners Association, Inc., as amended from time to time, filed in the Office of the Secretary of State of the State of North Carolina in accordance with the North Carolina Nonprofit Corporation Act.

(f) "Assessment" will mean and refer to an Owner's share of the Common Expenses or other charges from time to time assessed against an Owner by the Association in the manner herein provided. "Annual Assessment" will mean and refer to an Assessment assessed against all Owners in accordance with Section 12.3; "Specific Assessment" will mean and refer to an Assessment assessed against one or more, but less than all, Owners in accordance with Section 12.9; and "Special Assessment" will mean and refer to an Assessment specially assessed against Owners in accordance with Sections 12.5, 12.6 and 12.7.

(g) "Association" will mean and refer to Kildaire Crossing Property Owners Association, Inc., a North Carolina non-profit corporation, its successors and assigns. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized directors, officers, agents, employees and contractors.

(h) "Board of Directors" or "Board" will mean and refer to the Board of Directors of the Association, which is the governing body of the Association.

(i) "Bylaws of the Association" or "Bylaws" will mean and refer to those Bylaws of Kildaire Crossing Property Owners Association, Inc., which govern the administration and operation of the Association and as the same may be amended from time to time.

(j) "Common Areas" will mean and refer to any and all real and personal property now or hereafter deeded or leased to, or which is the subject of a use agreement with, the Association, and wherein the property therein described is specifically denominated to be a part of the Common Areas. The Common Areas shall include the Amenity, any park, open green spaces, project signage, cluster mailboxes for the Property and lighting, and Stormwater Control Measures located within the Property and which are not maintained by the Town or other governmental authority. The Association's Common Areas shall specifically include the Stormwater Facilities. The designation of any land and/or improvements as a Common Area will not mean or imply that the public at large acquires any easement of use or enjoyment therein. All Common Areas are to be devoted to and intended for the common use and enjoyment of the Declarant, Owners, and their respective guests, and invitees.

(k) "Common Expenses" will mean and refer to all expenditures lawfully made or incurred by or on behalf of the Association, together with all funds lawfully assessed for the creation or maintenance of reserves, pursuant to the provisions of this Declaration for the maintenance, repair and management of the Common Areas, and for the maintenance, repair and management of other property, whether owned by the Association or not and set forth in this Declaration or incorporated herein by a Supplemental Declaration, for which the Association has responsibility. Without limiting the foregoing, it is understood and agreed that "Common Expenses" specifically includes maintenance of the Stormwater Facilities under the Stormwater Facility Agreements, hereinafter defined, and replacement contribution payments required to be paid by the Association to the Town pursuant to the Stormwater Facility Agreement.

(l) "Common Responsibility" will mean and refer to the Association's duties and responsibilities for insuring, maintaining, repairing, replacing and managing portions of the Property not otherwise designated as Common Area and over which it has an easement or which is the subject matter of a use or license agreement, or, which, pursuant to a recorded agreement, the Association is obligated to undertake.

(m) "CPI-U" will mean the Consumer Price Index for All Urban Consumers (1982-84=100), or, if such index is discontinued or revised, by reference to such other government index or computation with which it is replaced or which would produce substantially the same measure as would be obtained if such index had not been discontinued or revised.

(n) "Declarant" will mean and refer to Ashton Raleigh Residential L.L.C., or any successor-in-title to the entire interest of such entity with respect to the Property at the time of such transfer to said successor-in-title, or any party designated Of Record to succeed to the rights of Declarant hereunder as to the matters set forth in such writing. In exercising any right

or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to such entity's duly authorized directors, officers, agents, employees and contractors.

(o) "Declarant Control Period" means the time period commencing on the date this Declaration is filed Of Record and ending on the earlier of:

1. The date December 31, 2024; or
2. The date which is three (3) months after the conveyance by the Declarant, in the ordinary course of business to persons other than a successor Declarant, of Units representing one hundred percent (100%) of the Total Planned Units for the Development; or
3. The date which is three (3) months following the date the Declarant terminates the Declarant Control Period by an express, recorded amendment to this Declaration.

(p) "Declaration" will mean and refer to this Declaration of Covenants, Conditions, and Restrictions for Kildaire Crossing, as supplemented and amended, from time to time, by any Amendment or Supplemental Declaration filed Of Record.

(q) "Development" will mean and refer to the Property and all improvements located or constructed thereon, and being a part of the overall plan, from time to time existing hereunder, for the real estate development known as "Kildaire Crossing."

(r) "Development Survey" will mean and refer to, collectively, those certain subdivision plats further described in Exhibit A attached hereto and made a part hereof by this reference, and all modifications, revisions and additions thereto. Further, "Development Survey" will mean and refer to any additional subdivision plat of the Property placed Of Record in furtherance of the development scheme for Kildaire Crossing, as it exists from time to time.

(s) "Initial Owner" will mean and refer to CW-Jones, LLC, a Delaware limited liability company.

(t) "Institutional Mortgage" will mean and refer to a Deed of Trust, held by or for a bank, trust company, insurance company, or other recognized lending institution, or by an institutional or governmental insurer or purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association or Federal Home Loan Mortgage Corporation. Such term will also mean and refer to the insurer of any such Deed of Trust, as well as the beneficiary of any Deed of Trust securing a loan made by the Declarant, its affiliates, successors, or assigns.

(u) "Limited Common Area" will mean and refer to those portions of the Common Area set aside for the exclusive use of some, but not all, Owners of Units, and shall include all retaining walls constructed by Declarant within the Property and all improvements within any private retaining wall easements established on the Development Surveys of the Property.

(v) "Limited Common Expenses" will mean and refer to Common Expenses of the Association attributable to Limited Common Areas for the exclusive use and benefit of some but not all Owners of Units and incurred by the Association pursuant to the terms and conditions hereof. Limited Common Expenses attributable to a Limited Common Area will be payable by the Owners with exclusive use and benefit thereof as a Specific Assessment in proportion to the total Units so benefitted.

(w) "Member" will mean and refer to an Owner with appurtenant membership in the Association as defined in Section 7.1.

(x) "Mortgage" will mean and refer to a mortgage, security deed, deed of trust, installment land sales contract, or other similar security instrument granting, creating, or conveying a lien upon, a security interest in, or a security title to a Unit.

(y) "Mortgagee" will mean and refer to the holder or beneficiary of a Mortgage, its successor and assign.

(z) "Occupant" will mean and refer to any person, including, without limitation, any Owner, occupying or otherwise using a Unit within the Development, and their respective families, servants, agents, guests, and invitees.

(aa) "Of Record" will mean and refer to the place of filing a writing in the applicable public records, currently being the office of the Register of Deeds for Wake County, as will give legal notice to the world of the matters set forth in the writing so filed.

(bb) "Owner" will mean and refer to one or more persons, including Declarant and Initial Owner, who or which owns fee simple title to any Unit, its respective heirs, executors, legal representatives, successors, and assigns; excluding, however, those persons having such an interest under a Mortgage. In the event that there is filed Of Record any installment land sales contract covering any Unit, the Owner thereof will be deemed to be the purchaser under the installment sales contract and not the fee simple titleholder. An installment land sales contract will be an instrument whereby the purchaser is required to make payment for such property for a period extending beyond nine (9) months from the date of the contract, and where the purchaser does not receive title to such property until all such payments are made, although the purchaser is given use thereof.

(cc) "Property" will mean and refer to those pieces, parcels and lots of land described on the Development Survey, together with all improvements thereon, as well as additions thereto pursuant to Section 2.3 below.

(dd) "Referendum" will mean and refer to the vote of Members by mailed ballots on certain actions submitted to the Members by the Board of Directors, as more particularly set forth herein and in the Bylaws.

(ee) "Stormwater Facility" or "Stormwater Facilities" will mean and refer to any one or more of the following that serves or benefits any part or all of the Property or is required by applicable legal requirements in connection with any part or all of the Property,

whether located in the Property or outside of the Property: (i) “drainage easements” (also referred to herein as “stormwater easements” or “stormwater drainage easements”) that are shown on the Development Surveys or established by written instruments Of Record, and which either are located on the Common Area or benefit or serve more than one (1) Unit; and (ii) all stormwater management facilities for the Property including ponds, man-made or natural areas and/or planted or landscaped areas into which stormwater drains, or in which stormwater is collected, or from which it is discharged, drains, pipes, conduits, inlets, swales, creeks, streams, channels, dams, ditches, filters, buffers, bio-retention areas, level spreaders, constructed wetlands, and other equipment, facilities and stormwater management measures used for inspecting, monitoring, measuring, testing, collecting, controlling, transporting, conveying, handling, storing, discharging and/or managing stormwater. Except as otherwise provided herein, Stormwater Facilities are part of the Common Area, and maintenance of Stormwater Facilities is a Common Expense. References in the Declaration to stormwater management include all applicable Stormwater Facilities, Stormwater Facility Agreements and Stormwater Maintenance Manuals.

(ff) “Stormwater Facility Agreements” (which term includes any other agreement under applicable legal Requirements, by whatever name denominated therein, relating to Stormwater Facilities) will mean and refer to any agreement required by any applicable legal requirement between the Town and the Declarant or between the Town and the Association, or among the Town, Declarant and Association, or between or among any combination of the Town and the Declarant, the Association and one or more Owners, or between and among Declarant and any adjoining landowner, relating to maintenance of Stormwater Facilities.

(gg) “Stormwater Maintenance Manual” (which term includes any other instrument or document under applicable legal requirements, by whatever name denominated therein, addressing the same or similar matters) will mean and refer to the specific requirements for maintenance of Stormwater Facilities as required by the Town.

(hh) “Supplemental Declaration” will mean and refer to any amendment to this Declaration filed Of Record, which makes any changes hereto.

(ii) “Total Planned Units” will mean and refer to the total number of Units intended for development on all of the Property.

(jj) “Town” will mean and refer to the Town of Cary in Wake County in the State of North Carolina.

(kk) “Town Code” will mean and refer to the Code of Ordinances of Cary.

(ll) “Unit” will mean and refer to a portion of the Property, whether improved or unimproved, which may be independently owned and conveyed as a single-family residential property. The term will refer to the land and the improvements thereon which are parts of the Unit. The term includes a single family lot and any home constructed thereon. The term will not include Common Areas or property that is dedicated to the public. A tract or parcel of land shall not be considered a Unit until a Development Survey therefor is filed Of Record.

ARTICLE 2

THE GENERAL PLAN FOR KILDAIRE CROSSING

2.1 Plan of Development of the Property.

One single-family dwelling may be constructed on each unimproved Unit subject to this Declaration. The Property will also include Common Areas, including Amenities as may, but shall not be required to, be developed, and such roads, utility systems, drainage systems, and other improvements serving the Property and as are, from time to time, denominated as such in this Declaration or by the Declarant or the Initial Owner on the Development Survey or in any deed, lease, use agreement, Supplemental Declaration or memorandum thereof filed Of Record, and which are installed and existing. All Units within the Development will be and are hereby restricted exclusively to residential use and will be subject to the standards and restrictions set forth in this Declaration. Without the consent of any person, the Declarant will have the right, but not the obligation, during the Declarant Control Period, to make improvements and changes to all Common Areas and to all such properties owned by the Declarant or the Initial Owner, including, without limitation, (A) installation and maintenance of any improvements, (B) changes in the location of the boundaries of any such properties owned by the Declarant and (C) installation and maintenance of any water, sewer, and other utility systems and facilities.

2.2 Amenity Development.

The Declarant has no current plans to construct any Amenities, nor shall it be required to do so. However, if the Declarant decides, in the exercise of its sole discretion, to construct any Amenities, the Declarant may establish initial rules and regulations governing the use of and access to any such Amenities. Any Amenity so developed and constructed shall be conveyed to the Association as Common Area pursuant to Section 2.5 below free and clear of all monetary liens and encumbrances.

2.3 Additions to Property.

Other property may become subject to this Declaration in the following manner:

(a) Additions by Declarant.

During the Declarant Control Period, the Declarant shall have the right, without further consent of the Association or any Owner, to bring within the plan and operation of this Declaration, or to consent thereto, the whole or any portion of any property contiguous or nearly contiguous to the Property, whether or not owned by the Declarant, provided the record owner of such additional property consents to such action. Such property may be subjected to this Declaration as one parcel or as several smaller parcels at different times. The additions authorized under this subsection shall be made by filing Of Record a Supplemental Declaration and Development Survey with respect to the land to be added hereto and which shall extend the operation and effect of the covenants and restrictions of this Declaration thereto, and which, upon filing Of Record of a Supplemental Declaration, shall constitute a part of the Property.

(i) Complementary Covenants.

The Supplemental Declaration may contain such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Declarant to reflect the different character, if any, of the land added hereto, and as are not materially inconsistent with, this Declaration, but such modifications shall have no effect on the Property described in Section 2.1 above.

(ii) Additions by Filing Supplemental Declaration.

The option reserved under this Section 2.3(a) may be exercised by the Declarant only by the execution of a Supplemental Declaration filed Of Record and the filing Of Record of a Development Survey showing the land being added or such portion or portions thereof as are being added to the Development by such amendment, as well as the Units and Common Areas therein. Any such Supplemental Declaration shall expressly submit the added land to all or specific provisions of this Declaration, as may be provided therein, and such other covenants, restrictions, conditions and easements as the Declarant, in its sole discretion, shall determine,

(b) Additions of Other Properties.

Upon approval by two-thirds (2/3) of the votes of the Members pursuant to a Referendum therefor or upon approval by two-thirds (2/3) of the votes of the Members present, in person or by proxy, at a duly held meeting at which a quorum is present, the owner of any property contiguous or nearly contiguous to the Property other than the Declarant and who desires to add it to the plan of this Declaration and to subject it to the jurisdiction of the Association, may file Of Record a Supplemental Declaration with respect to the property to be added, which will extend the operation and effect of the covenants and restrictions of the Declaration to such property, thereafter constituting a part of the Property. Any such Member approval shall be reflected in consent to such Supplemental Declaration executed by the President of the Association. During the Declarant Control Period, the addition of other properties in accordance with this Section 2.3(b) shall require the written consent of the Declarant, as well as the vote of the Members provided herein.

(c) Additions by Merger.

Upon merger or consolidation of the Association with another association, following written approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), the Association's property rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or in the alternative, the properties, rights, and obligations of another association may, by operation of law, be added to the properties of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the existing property, together with the covenants and restrictions established upon any other properties, as one plan. No merger or consolidation will effect any revocation, change, or

addition to the covenants established by this Declaration within the Property, including, without limitation, the maximum limits on Assessments and dues of the Association, or any other matter substantially affecting the interests of Members of the Association. Lands that become subject to this Declaration under the provisions of this Section 2.3(c) may in the future be referred to as a part of the Property. During the Declarant Control Period, the addition of property by merger in accordance with this Section 2.3(c) shall require the written consent of the Declarant, as well as the vote of the members provided herein.

2.4 Withdrawal of Property by Declarant.

The Declarant reserves the right to amend this Declaration during the Declarant Control Period for the purpose of removing any portion of the Property from the coverage of this Declaration, provided the withdrawal is not contrary to the overall, uniform scheme of development for the Property, and provided further such withdrawal does not include any portion of an Amenity essential to its use and enjoyment. Such amendment will not require the consent of any person other than the Owner of the property to be withdrawn, if not the Declarant. If the property is a material part of Common Area, the Board of Directors of the Association will consent to the withdrawal.

2.5 Conveyances of Common Areas.

All parcels of land shown as Common Areas on the Development Survey or which are identified herein as Common Areas and require a conveyance to vest in the Association ownership and use thereof, will be deeded or an easement will be granted with respect thereto by the Declarant or the Initial Owner within two (2) years after the Declarant has completed improvements thereon. In the event a conveyance of the Common Area in fee simple would result in an illegal subdivision, then such Common Area as shown on a Development Survey shall be deemed dedicated to the Association for the benefit of the Association and for the common use and enjoyment of its Members. Upon any such conveyance or grant of easement, if such is required, or upon completion of any improvements thereon or thereto by the Declarant, if earlier, the Association will immediately become responsible for all maintenance, repair and replacements therefor, the operation thereof and such additional construction of improvements as may be authorized by the Board of Directors. For purposes of measuring the foregoing two (2) year period, any improvements will be deemed completed on the later of the date all required certificates or permits of occupancy or use are issued therefor, or the date such improvements may be used in the manner and for the purposes for which they are constructed. It is the purpose of this provision to provide that the Association will be responsible for all maintenance of Common Areas when improvements thereto have been completed, notwithstanding the fact that the Declarant or the Initial Owner is not obligated to deed or grant an easement for such properties until two (2) years after improvements have been completed thereon. Any such conveyance by the Declarant or the Initial Owner will be conveyed subject to all restrictive covenants filed Of Record at the time of conveyance:

(a) The right of access of the Declarant, its successors and assigns, over and across such property; and

(b) The right of both the Declarant, during the Declarant Control Period, or the Association, after expiration of the Declarant Control Period, and the ARC to approve all structures, construction, repairs, changes in elevation and topography and the location of any object (including vegetation) within the Common Areas prior to the commencement of such activities or location of any object therein;

(c) All utilities and drainage easements; and

(d) All of the Declarant's reserved rights set forth in this Declaration.

Notwithstanding anything in the foregoing to the contrary, the Declarant or the Initial Owner, as applicable, will not be required to so convey the Common Areas where such conveyance would be prohibited under agreements to which the Declarant or the Initial Owner, as applicable, is a party on the date of establishment of such Common Areas; but, in such case, the Declarant or the Initial Owner, as applicable, will be allowed to postpone such conveyance, without a penalty, until such time as said prohibition terminates, is released or is nullified.

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 is hereby deemed 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 Of Record to the Association, title or such other interest in property conveyed will vest in and to the Association without the necessity of any further act, deed, consent or approval of any person, including the grantor, lessor and/or Association.

Anything contained herein to the contrary notwithstanding, the Declarant may, but shall not be obligated, to delay the conveyance, lease, or use or license agreement with respect to any of the Common Area until, but not later than, the expiration of the Declarant Control Period, if the Declarant determines that the Association will achieve economies of scale with respect to the costs and expenses of maintaining and operating the said Common Area, including the insuring thereof, by the Declarant continuing to carry ownership thereof on its books and back charging the Association for such costs and expenses commencing the date upon which the improvements necessary for use for the Common Area's intended purpose shall be completed.

2.6 Owner's Interest Subject to Plan of Development.

Every purchaser of a Unit will purchase such property, and every Mortgagee and lienholder of an interest therein will take title, or hold such security interest with respect thereto, subject to the plan of development for Kildaire Crossing and this Declaration.

ARTICLE 3

STORMWATER FACILITY MAINTENANCE

3.1 Stormwater Facilities. In accordance with the requirements of the Town one or more Stormwater Facilities will be located on the Common Area subject to the easement rights of the Town, the Declarant and the Association. The operation and maintenance of the Stormwater Facilities are subject to the terms of the Stormwater Facility Agreements and Stormwater Maintenance Manuals. Upon dedication by Development Survey or conveyance in fee of the Common Area to the Association, the Association shall operate and maintain the Stormwater Facilities and assume all obligations of Declarant under the Stormwater Facility Agreements and Stormwater Maintenance Manuals.

3.2 Special Assessments. The Association shall charge Annual and/or Special Assessments, if necessary, to meet the Association's obligations under the Stormwater Facility Agreements and Stormwater Maintenance Manuals.

3.3 Dissolution and Transfer. Notwithstanding any provision to the contrary contained in the Declaration and to the extent permitted by applicable law, the Association shall not enter into voluntary dissolution unless the Stormwater Facilities are transferred to a person or entity who assumes the maintenance obligation of the Stormwater Facilities as set forth in the Town Code, the Stormwater Facility Agreements and the Stormwater Maintenance Manuals, and that to the extent permitted by applicable law, the Association shall not sell, convey or otherwise transfer any interest in the Common Area on which the Stormwater Facilities are located to any party until the such party assumes the maintenance obligation of the Stormwater Facilities as set forth in the Stormwater Facility Agreements and the Stormwater Maintenance Manuals.

ARTICLE 4

ARCHITECTURE GUIDELINES; APPROVAL

4.1 Purpose.

In order to preserve the natural setting and beauty of the Development, to establish and preserve a harmonious and aesthetically pleasing design for the Development, and to protect and promote the value of the Development, the Units and all improvements located therein or thereon, including, but not limited to, landscaping, grading, excavation, or filling of any nature whatsoever, outside lighting, driveways, decks, patios, courtyards, playhouses, awnings, walls, and fences will be subject to the prior review and approval of the ARC and in accordance with design and development guidelines, as well as the form of application and review procedures therefor for such improvements or construction or development work which is published, from time to time, by the ARC (the "Design Guidelines"), and no such improvements of any nature whatsoever will be altered or added to, or maintained upon any part of the Development, except in accordance with such guidelines and approval of the ARC. No site work will be undertaken upon a Unit (including staking, clearing, excavation, grading and other site work, exterior alteration of existing improvements, and planting or removal of landscaping materials) nor any structures placed, erected, or installed upon any Unit or adjacent to any Unit where the purpose of the structure is to service the Unit, except in accordance with this Article 4 and upon approval as herein provided unless specifically exempted from the application and

approval requirements hereof by specific terms and conditions hereof pursuant to this Declaration or pursuant to a writing signed by the Declarant in recordable form.

(a) Outbuildings and Similar Improvements.

No garages, guest or servants' quarters, or other outbuildings shall be permitted within the Development. The ARC, as part of its review, may deny installation of a pool if, in its sole and exclusive judgment, the proposed pool would overcrowd the lot, or for any other reason. An Owner wishing to install a pool should first confer with the ARC to see if the ARC will likely approve installation of a pool, subject, of course, to terms and conditions the ARC may otherwise impose.

(b) Green Energy Improvements.

The installation of solar panels or other "green energy" improvements ("Green Energy Improvements") to the roof or exterior of a dwelling located on a Unit shall be permitted in accordance with NCGS §22B-20 after approval by the Architectural Review Committee. Upon any such approval for the installation of Green Energy Improvements, the Owner of such Unit, its successors and assigns, shall thereafter be responsible for the installation, maintenance and repair of the Green Energy Improvements and any and all damage caused to the dwelling on the Unit or to adjacent dwellings, if applicable, during the installation, maintenance or repair of such Green Energy Improvements, and, as a condition to such approval, Declarant and/or the Architectural Review Committee may require the Owner of the subject Unit to enter into a license or other agreement relative to same. The Association shall not be responsible for the installation, maintenance or repair of Green Energy Improvements installed by an Owner.

(c) Retaining Wall Easement Areas.

No improvements to or obstructions of retaining wall easement areas shall be permitted.

4.2 Architectural Review Committee.

The Architectural Review Committee shall be the governing body charged with using its best efforts to promote and ensure a high level of design, quality, harmony and conformity throughout the Development consistent with this Declaration to administer the architectural and aesthetic approval process for changes, additions or modifications to existing improvements upon a Unit. Until such time as Declarant no longer owns any Property held for development into additional Units (or no longer has contractual rights to purchase any portion of the Property), and no longer holds a Unit for sale by it in the ordinary course of its business, and no longer has the right to add any Additional Property, or upon the earlier written relinquishment by the Declarant, the Declarant shall constitute the ARC, and may approve plans and submissions or take other actions on behalf of the ARC in the Declarant's own name or in the name of the ARC. After the termination of the Declarant's right to function alone as the ARC, the ARC under this Declaration will consist of not more than five (5) nor less than three (3) members, who need not be Unit Owners, appointed by the Board. The terms of office for each

member and other matters of governance to be applicable to the ARC, will be established by the Board prior to the time any review and approval process hereunder would otherwise have to take place by the ARC to be established by the Board. Notwithstanding the foregoing to the contrary, any member appointed to the ARC by the Board following assignment of the whole or any portion of ARC functions pursuant to Section 6.2(a) below is subject to the prior approval of the Declarant until the Declarant no longer owns or has an option or contract right to acquire any of the Property, or the earlier written relinquishment by the Declarant of its authority and power to do so. The ARC is responsible for administering the Design Guidelines, adopted and amended from time to time as hereinafter provided, and for the review and approval process conducted in accordance with the Design Guidelines. The ARC is authorized to retain the services of consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and assist the ARC in performing its functions set forth herein. The ARC may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred by the committees in having any application reviewed by architects, engineers or other professionals.

(a) Right to Assign ARC Functions.

The Declarant reserves the right to assign to the Association or a subcommittee thereof established by the Declarant pursuant hereto, at its sole discretion at any time during the Declarant Control Period, the whole or any portion of its rights reserved in this Declaration which are exercisable by it sitting as the ARC. The Declarant may establish an ARC subcommittee for the purpose of acting on behalf of the ARC with respect to similar circumstances, situations, or types of improvements, which would deal with modifications of existing improvements or additional new improvements ancillary to an existing Unit, in contrast to the construction of initial improvements upon a previously unimproved Unit. All rights and powers of the ARC may be delegated to such subcommittee with regard to the subject matter of the subcommittee. The rights and powers of the ARC 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. The Association and any subcommittee thereof established by the Declarant hereunder do hereby agree to accept any such assignment of rights without the necessity of any further action by it. Upon the expiration of three (3) years following the termination of the Declarant Control Period or the earlier written relinquishment by the Declarant of its rights hereunder, any then remaining design review rights are deemed assigned to the Association, which will succeed to all the rights of the Declarant over the ARC then remaining unassigned without further action on the part of either the Declarant or the Association.

(b) Liability of ARC Members.

No member of the ARC, or any assignee of rights hereunder, will be liable to any Unit Owner for any decision, action or omission made or performed by the ARC member in the course of his duties unless the member acted in bad faith or in reckless disregard of the rights of any person or of the terms of this Declaration.

(c) Indemnification.

Until all the ARC functions are assigned, the Declarant will, to the full extent permitted by law, indemnify all persons designated from time to time by the Declarant to serve as members of the ARC exercising unassigned rights hereunder from and against any liability, including attorney fees, as may be incurred by the members contrary to the provisions of this Section 4.2(c). Following any such assignment by the Declarant, members of the ARC or successor committee exercising rights so assigned shall be indemnified by the Association.

4.3 Design Guidelines.

The Declarant will prepare the Design Guidelines, which will apply to changes, additions and modifications to improvements and landscape plans, as provided therein, and the construction activities therefor, except those development and construction activities of the Declarant and the Declarant's contractors and sub-contractors which shall not be subject to ARC review or the Design Guidelines. The Design Guidelines may contain general provisions applicable to all of the Development, as well as specific provisions which may vary according to locations therein, unique characteristics, and intended use. During the Declarant Control Period, the Declarant may amend, modify, supplement and add to the Design Guidelines; and after the Declarant Control Period, such changes may be made solely by the Board of Directors, with the advice of the ARC.

(a) Interior Improvements.

Generally speaking, the Design Guidelines will not cover interior improvements, which will, generally, not be subject to review and approval by the ARC, unless the review and approval may otherwise be required because proposed changes, additions or modifications to interior improvements are made within an area plainly within view of adjacent properties.

(b) Drainage.

The Design Guidelines may provide that, in connection with the ARC's approval and to prevent excessive drainage or surface water runoff, the ARC may have the right to establish a maximum percentage of property which may be covered by buildings, structures, or other improvements, which guidelines may be promulgated on the basis of topography, percolation rates of the soil, soil types and conditions, vegetation cover, and other environmental factors, or to impose guidelines for the installation of storm water management facilities deemed appropriate to limit or control runoff.

(c) Other Guidelines.

The Development's Design Guidelines may, in the sole discretion of the Declarant, and, following the Declarant Control Period, the ARC may also provide applicable guidelines (i) prohibiting or restricting the erection and use of temporary structures; (ii) setting permissible times of construction and requirements concerning construction debris; (iii) covering the allowance of and, where allowed, the content, size, style and placement location for, signage;

(iv) requiring or encouraging visually screened service yards; (v) establishing exterior lighting design and location criteria; (vi) prohibiting or limiting installation and use of wells; (vii) and setting conditions for property subdivision or consolidation, and for subjecting Development property to further covenants, conditions, restrictions and easements; provided, however, the Declarant's activities may be excepted or exempted from any and all such guidelines. The within listing of possible guidelines is not an exhaustive listing and is intended merely to provide an example of the diversity of guidelines as may be incorporated in the Design Guidelines, and will not act as a limitation upon guidelines and guidelines as may or may not be implemented.

(d) Guidance; Final Authority of ARC.

The Design Guidelines are intended to provide guidance, and will not be the exclusive basis for decisions of the ARC, and compliance with the Design Guidelines may not guarantee approval of any application. The ARC will have the sole discretion to determine whether plans and specifications submitted for approvals are acceptable to it, and the refusal of approval of any plans and specifications may be based by the ARC upon any ground which is consistent with the objects and purposes of this Declaration, as may be supplemented by the Design Guidelines, including purely aesthetic considerations, so long as such grounds are not arbitrary or capricious. Any Owner that is not satisfied with the determination of the ARC shall have the right to appeal the ARC's determination to the Board of Directors, provided a notice of such appeal is given by the Owner to the ARC and the Board of Directors within twenty (20) days following the ARC's determination. The appeal procedure shall be as provided by the Board of Directors or as shall be stipulated in the Design Guidelines.

(e) Inspections and Permit and Certificate Issuance.

The Design Guidelines may also provide procedures for ARC inspection of work, for the issuance of a permit to commence work and for the issuance of a certificate following completion thereof, in addition to any such permits and certificates as may be issued by governmental authority with jurisdiction thereof, which may constitute conditions precedent to use or occupancy.

(f) Fees and Charges.

In addition to application fees and charges, the Design Guidelines may provide a schedule of fees, charges, required damage or other deposits, fines for noncompliance, and other amounts due and payable by an Owner as part of the application, review and approval processes, which schedule the ARC may increase, modify and amend at any time. All fees, charges and fines provided herein will constitute Specific Assessments and a lien upon the Unit to which the fees and charges relate.

4.4 ARC Landscaping Approval.

To preserve the architectural and aesthetic appearance of the Development, no changes, additions or modifications to landscaping, and no grading, excavation, or filling of any nature whatsoever, and no construction of improvement changes, additions or modifications of any nature whatsoever, will be commenced or maintained by the Association or any Owner,

other than the Declarant, on any portion of the Development, nor will any building addition, change or alteration, be made (including, without limitation, painting or staining of any exterior surface), unless and until application is made to the ARC pursuant to the Design Guidelines and the plans and specifications therefor are approved by the ARC.

4.5 Approval Not a Guarantee.

No approval of plans and specifications and no publication of Design Guidelines and architectural guidelines thereunder will be construed as representing or implying that the plans, specifications, or guidelines will, if followed, result in properly designed improvements. Such approvals and guidelines will in no event be construed as representing or guaranteeing that any dwelling or other improvement built in accordance therewith will be built in a good and workmanlike manner. Neither the Declarant, nor the Association, nor the ARC is responsible or liable for any defects in any plans or specifications submitted, revised, or approved pursuant to the terms of this Article 4, or any defects in construction undertaken pursuant to the plans and specifications.

4.6 Enforcement.

There is specifically reserved unto the ARC the right of entry and inspection upon any Unit or other portion of the Property for the purpose of determining whether there exists any unapproved improvement or whether any improvement violates the terms of any approval by the ARC or the terms of this Declaration. Except in emergencies, any exercise of the right of entry and inspection by the ARC hereunder should be made only upon reasonable notice given to the Owner at least twenty-four (24) hours in advance of such entry. The Association, acting pursuant to the direction of the ARC, 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 and costs incurred in connection therewith.

ARTICLE 5

USE RESTRICTIONS

5.1 Notice of Land Use Restrictions

Land use on private Units is subject to Federal, State, and local laws and regulations. Some uses may be restricted due to inclusion of, or proximity to, land or waters with the following designations: wetlands, flood prone areas, areas of environmental concern, outstanding resource waters, primary nursery areas, tree conservation area and Neuse River Basin classification. Other designations or restrictions may apply.

5.2 Building Restrictions.

Except as may be otherwise set forth in the Design Guidelines established thereunder, or in this Declaration, in the Development Survey, in any Supplemental Declaration, in any agreement with Declarant, or by specific deed restriction, the following building restrictions will apply with respect to the properties subject to this Declaration:

(a) Number of Buildings on Units.

No structure will be constructed upon an unimproved Unit other than one (1) detached single-family dwelling.

(b) Completion of Improvements.

The exterior of all dwellings and other structures constructed upon any unimproved Unit must be completed within eighteen (18) months after the construction of same shall have commenced, or such shorter period of time as shall be determined by the ARC to be suitable given the scope and complexity of the work to be performed; provided, however, a longer period of time may be granted, in the ARC's sole discretion, where completion is impossible or would result in great hardship to the Owner or builder thereof due to strikes, fires, national emergencies, natural calamities, or any other reason determined by the ARC, in its sole discretion, to justify a failure to complete construction within the time provided. The ARC's grant of extension for any reason shall not impose any obligation upon the ARC to grant another extension, even if the reasons for delay are equal or similar. No dwelling under initial construction shall be occupied until construction is completed and all necessary approvals of any governmental authorities have been obtained.

(c) Other Requirement of Residences.

In addition, all residential structures constructed on an unimproved Unit will be designed and constructed in compliance with the requirements of such political subdivision with jurisdiction thereof.

5.3 Trees.

No Owner, other than the Declarant, shall be entitled to cut, remove, or mutilate any trees, shrubs, bushes, or other vegetation having a trunk diameter of two (2) inches or more at a point of four and one-half (4 ½ ') feet above the ground level, or other significant vegetation as designated, from time to time, by the ARC, without obtaining the prior approval of the ARC. Nothing herein shall be construed so as to limit any applicable law or ordinance.

5.4 Alteration of Setback Lines in the Best Interest of Development.

Where because of size, natural terrain, or any other reason in the opinion of the Declarant, it should be in the best interest of the Development that the setback lines of any Unit should be altered or changed, then the Declarant reserves unto itself, its successors or assigns, and no other, except governmental authority with jurisdiction and subject to Declarant's prior approval, the right to change said setback lines to meet such conditions. The Declarant specifically reserves the right to transfer and assign this right of approval to the ARC hereinafter.

5.5 Use of Units.

Except as permitted by Section 5.20, each Unit will be used for residential purposes only, and no trade or business of any kind may be carried on therein. The use of a portion of a Unit's dwelling as an office by an Owner or Occupant will not be considered to be a violation of this covenant if such use does not create regular customer, client, or employee traffic; provided that in no event will any Unit be used as the office of or storage area for any building contractor, real estate developer or real estate broker, except as may be on a temporary basis, with the express written approval of the Declarant during the Declarant Control Period, and thereafter by the Board of Directors, and in accordance with reasonable rules and regulations promulgated therefor. Nothing contained herein shall be construed so as to prohibit the construction of houses to be sold on an unimproved Unit, or the showing thereof for sale; and nothing herein shall be construed to prevent the Declarant or its permittees from erecting, placing or maintaining signs, structures and offices as it may deem necessary for its operation and sales in the Development. Lease or rental of a Unit for residential purposes will also not be considered to be a violation of this covenant so long as the lease (A) is for not less than the entire Unit and all the improvements thereon, and (B) is otherwise in compliance with rules and regulations as may be promulgated and published from time to time by the Declarant and the Board of Directors. All leases or rental agreements will be in writing and will be for an initial term of not less than one (1) year. Upon request, the Owner will provide the Declarant and Board of Directors with copies of such lease or rental agreement. Any Occupant will in all respects be subject to the terms and conditions of this Declaration and the rules and regulations adopted hereunder.

5.6 Antennas.

No television antenna, radio receiver, or other similar device will be attached to or installed on any portion of the Development, except as required by the Telecommunications Act of 1996 and implementing rules therefor issued by the Federal Communications Commission and by the Association in conformity with rules or guidelines of the Federal Communications Commission; provided, however, the Declarant and the Association will not be prohibited from installing equipment necessary for master antenna, security, cable television, mobile radio, or other similar systems within the Development.

5.7 Water Wells.

Subject to the terms of Section 6.16, no private water well may be drilled, installed or maintained on any of the Development for irrigation. The ARC may, however, authorize shallow wells for closed-end, geo-thermal residential systems.

5.8 Clotheslines.

No clotheslines or drying yards shall be located upon the premises so as to be visible from any Common Area or from any adjoining property or Unit.

5.9 Propane Gas Tanks Allowed if Buried.

Propane gas tanks shall be allowed on a Unit, provided the same is buried in accordance with applicable laws and/or best practices.

5.10 Firearms and Fireworks.

No firearms or fireworks of any variety shall be discharged upon or within any Unit or upon any Common Area. The term "firearms" shall include, without limitation, guns, "B-B" guns and pellet guns. Notwithstanding the foregoing, the Board of Directors may, if allowed by law, contract for a professionally conducted fireworks display.

5.11 Signs and Flags. No sign (including brokerage or for sale/lease signs), flag, banner, sculpture, fountain, outdoor play equipment, solar equipment, artificial vegetation, sports equipment, advertisement, notice or other lettering shall be exhibited, displayed, inscribed, painted or affixed in, or upon any part of the Property that is visible from the outside of a Unit or vehicle parked within the Property without obtaining the prior approval of the Declarant during the Declarant Control Period and thereafter, the Board; provided however, signs required by governmental agencies and approved by the Declarant or the Board, as applicable, may be displayed (e.g. permit boards). No sign may be placed in the window of a Unit or vehicle parked within the Property. The Declarant shall be exempt from this Section. No in-ground flag poles (except as Declarant may use) shall be permitted within the Development without obtaining the prior approval of the Declarant during the Declarant Control Period and the Board thereafter. Notwithstanding the foregoing, the following shall be permitted within the Development and subject to the terms and conditions provided:

(a) Flags for Holiday and Sporting Events. Flags which are no larger than 24" x 36" attached to a Unit and displayed for the purpose of a holiday or sporting event. Any such flag displayed for a holiday or sporting event may be installed up to seventy-two (72) hours prior to and must be removed no later than forty eight (48) hours following such holiday or sporting event, or as the Declarant or Board, as applicable, may otherwise determine.

(b) Flag of the United States of America. A United States of America flag shall be permitted without Declarant or Board approval upon the condition that the flag must be a maximum of three feet (3') by five feet (5') in size, posted on a pole and attached at a forty five degree (45°) angle from the Unit.

(c) Political Campaign Signs. Signs posted in connection with a political campaign, candidate yard signs displayed from a Unit (or, in the case of a Townhouse Unit, displayed only from within the dwelling structure) shall be permitted without Declarant or Board approval, only if (i) the sign has a maximum area of four (4) square feet and, except for signs displayed from within a dwelling structure, a maximum height of three and one-half (3.5) feet above ground level, and (ii) the sign is displayed no sooner than forty-five (45) days prior to the election and is removed within seven (7) days after the election.

(d) Signs Posted by Declarant and Board. During the Declarant Control Period, the Declarant, and thereafter the Board, shall have the right to erect any sign appropriate to its respective activities.

The Board may impose a fine against any Owner or Occupant of up to One Hundred and No/100 Dollars (\$100.00) for each day more than five days after decision that the violation of this Section occurs and suspension of the right to vote and to use any facilities within the Common Area after notice and opportunity for a hearing, in addition to any other remedies of the Association. Any fine imposed pursuant to this Section shall be deemed an assessment against the Unit and may be collected in the same manner as provided herein for collection of assessments. Any permitted sign or other display shall conform to applicable legal requirements. In the event the requirements of this Declaration, or as the Declarant or the Board, as applicable, may otherwise require, are more stringent than may be required by the applicable legal requirements, the requirements of this Declaration or as the Declarant or Board, as applicable, may otherwise require shall control

5.12 Animals and Pets.

No animals, livestock or poultry of any kind shall be raised, bred, or kept on any Unit, except that a reasonable number of domestic cats and dogs may be kept provided they are kept within the dwelling and are not kept, bred, or maintained for any commercial purposes. Notwithstanding the foregoing, no dogs of the Doberman Pinscher, Rottweiler or "Pit Bull" breed shall be kept in or on the Property (including the Units). A "Pit Bull" is defined as any dog that is an American Pit Bull Terrier, American Staffordshire Terrier, Staffordshire Bull Terrier, or any dog displaying a majority of the physical traits of any one (1) or more of the above breeds, or any dog exhibiting those distinguishing characteristics which substantially conform to the standards established by the American Kennel Club or United Kennel Club for any of the above breeds. No person owning or having custody of a permitted animal shall allow the animal to stray or go upon another Owner's Unit without the consent of such other Owner. No animals shall be permitted on or in the Common Areas at any time except as permitted by the rules and regulations of the Association or by applicable law. The Board may establish reasonable rules to limit the number of allowed pets. All Owners shall clean up after their pets. No animal shall interfere with, intimidate, threaten or have a reasonable likelihood of interfering with, intimidating or threatening any Owner, Occupant, other person, other pet, or the peaceful and quiet enjoyment of any other Owner or Occupant, person or other pet. At any time and in its sole and absolute discretion, the Board may require the Owner of any prohibited animal or any permitted animal which interferes with, intimidates or threatens any person or other pet at the Property or which causes or results in an unreasonable disturbance, to permanently remove such animal from the Property promptly after notice by the Association. Neither the Declarant, the Board nor the Association shall be liable for any personal injury, death or property damage resulting from a violation of the foregoing and any Owner or Occupant of a Unit committing such a violation shall fully indemnify and hold harmless the Board of Directors, the Declarant, each Owner and the Association in such regard.

5.13 Drainage.

No Owner shall channel or direct drainage water onto a neighboring Unit or Common Area except in accordance with a drainage plan approved by the Declarant. No Owner shall make any change to or modification of the originally established grades, swales and slopes of his or her lot in any way that changes or impedes the originally established flow of storm

water drainage. Declarant hereby reserves a perpetual easement across the Property for the purpose of altering drainage and water flow. Rights exercised pursuant to such reserved easement shall be exercised with a minimum of interference to the quiet enjoyment of affected property, reasonable steps shall be taken to protect such property, and damage shall be repaired by the person causing the damage at its sole expense.

5.14 Artificial Vegetation, Exterior Sculpture and Similar Items.

No artificial vegetation shall be permitted on the exterior of any portion of the Subdivision. Exterior sculpture, fountains, flags, and similar items are subject to the Declarant's or the ARC's prior approval; provided, however, that nothing contained herein shall prohibit the appropriate display of the American flag.

5.15 Open Fires. No open fire pits shall be maintained upon any Unit. Nothing herein shall be deemed to restrict the use of any customary barbecue for the cooking of food.

5.16 Nuisances.

No rubbish or debris of any kind will be dumped, placed, or permitted to accumulate upon any portion of the Development, nor will any nuisance or odors be permitted to exist or operate upon or arise from the Development, so as to render any portion thereof unsanitary, unsightly, offensive, or detrimental to persons using or occupying any other portions of the Development. Noxious or offensive activities will not be carried on in any part of the Development, and the Association and each Owner and Occupant will refrain from any act or use which could cause disorderly, unsightly, or unkempt conditions, or which could cause embarrassment, discomfort, annoyance, or nuisance to the Occupants of other portions of the Development or which could result in a cancellation of any insurance for any portion of the Development, or which would be in violation of any law or governmental code or regulation. Without limiting the generality of the foregoing provisions, no exterior speakers, horns, whistles, bells, or other sound devices, except security and fire alarm devices used exclusively for such purposes, will be located, used, or placed within the Development, except as may be permitted pursuant to terms, conditions, rules and regulations adopted therefor by the Board of Directors. Any Owner or Occupant who dumps or places any trash or debris upon any portion of the Development will be liable to the Association for the actual costs of removal thereof plus an administrative fee of \$100.00, or such other sum set therefor by the Board as a recoupment of administrative costs in administering the cleanup and notices to the Owner and Occupant, and such sum will be added to and become a part of that portion of any Assessment next becoming due to which such Owner and his property is subject. The Board of Directors shall, in the exercise of its reasonable business judgment, determine whether any activity or condition, including, but not limited to, matters herein described, constitutes a nuisance which shall be abated upon reasonable notice by the Board or the Association's property manager.

5.17 Motor Vehicles, Trailers, Boats, Etc.

Each Owner will provide for parking of automobiles off the streets and roads within the Development. There will be no outside storage or parking upon any portion of the Development of any disabled vehicle (with flat tires, on jacks, without a current license tag, etc.)

or any vehicle with signage or lettering advertising a business, mobile home, trailer (either with or without wheels), motor home, tractor, truck (other than pick-up trucks without signage or lettering advertising a business), or commercial vehicles of any type, except in a Unit's garage, if a Unit has a garage, otherwise only within the unimproved portion of a Unit that is not visible from the street rights of way within the Development. Any permitted parking of a mobile or motor home within a garage or within an area screened from view will not be construed as to permit any person to occupy such mobile or motor home, which is strictly prohibited. Furthermore, although not expressly prohibited hereby, the Board of Directors may at any time prohibit or write specific restrictions with respect to the operating of mobile homes, motor homes, campers, trailers of any kind, motorcycles, motorized bicycles, motorized go-carts, all-terrain vehicles (ATVs), and other vehicles, or any of them, upon any portion of the Development if in the opinion of the Board of Directors such prohibition or restriction will be in the best interests of the Development. Such policies may change from time to time with changing technology. The storage of any such vehicles within a garage or area screened from view will be permitted, even if operating the same is prohibited. No Owners or other Occupants of any portion of the Development will repair or restore any vehicle of any kind upon or within a property subject to this Declaration except (A) within enclosed garages, or (B) for emergency repairs, and then only to the extent necessary to enable the movement thereof to a proper repair facility. The Board of Directors are specifically authorized to adopt, modify, cancel, and supplement rules and regulations applicable to the parking of vehicles on the private streets and roads of the Development, and shall have the power and authority to tow any vehicle in violation of any such adopted rule or regulation.

(a) Parking Restrictions on Public Roads and Streets.

In the event the Board of Directors adopts any rule or regulation, or in the event the Members amend this Declaration, restricting the right to park vehicles on public roads and streets within the Development, such restriction shall only be applicable to the Owners and to their respective family members and tenants.

5.18 Mining and Drilling.

No derrick or other structure designed for use in boring for oil or natural gas shall be erected, placed or permitted upon any part of the Development, nor shall any oil, natural gas, petroleum, asphalt or hydrocarbon products or minerals of any kind be produced or extracted from the Property.

5.19 Trash and Vegetation.

No trash, rubbish, garbage or other waste material shall be kept or permitted upon any Unit or the Common Area, except in sanitary containers located in a garage or, if there is no garage, in an appropriate area screened and concealed from view (except for the periods immediately preceding and subsequent to pick up by the applicable disposal service). No weeds, vegetation, rubbish, debris, garbage, waste materials or materials of any kind whatsoever shall be placed or permitted to accumulate on any Unit or any portion of the Property which would render it unsanitary, unsightly, offensive, or detrimental to any property in the vicinity thereof or to the

occupants of any property in such vicinity, except as is temporary and incidental to the bona fide improvement of any portion of the Property. Job site debris shall be removed from all Units at least weekly. Grass, hedges, shrubs, vines and mass planting of any type on any Unit or any portion of the Property shall be kept trimmed and shall at regular intervals be mowed, trimmed and cut so as to appear neat and attractive. It shall be each Owner's responsibility to water the lawn and the plants on its Unit at regular intervals. Trees, shrubs, vines and plants which die shall be promptly removed. No leaves, trash, garbage or other similar debris shall be burned except as permitted by the appropriate governmental authority.

5.20 Development, Sales and Construction Activities.

Notwithstanding any provisions or restrictions contained in this Declaration to the contrary, the Declarant and its agents, employees, successors, and assigns, including any spec builder to which the Declarant assigns the rights hereunder and as may be further restricted by the Declarant under any such assignment, are permitted to maintain and carry on such facilities and activities as may be reasonably required, convenient, or incidental to the development, completion, improvement, and sale of the whole or any portion of the Property, including, without limitation, the installation and operation of development, sales and construction trailers and offices, signs and models, provided that the location of any such trailers of any assignees of Declarant's rights under this Section 5.20 are subject to the Declarant's prior written approval. The rights under this Section 5.20 to maintain and carry on such facilities and activities will include specifically the right to use a Unit's dwelling as a model and as offices for the sale or lease of Units and for related activities.

5.21 Use of Trademark.

Each Owner and Occupant, by acceptance of a deed to any lands, tenements or hereditaments within the Development hereby acknowledges that "Ashton Woods" and "Kildaire Crossing" are service marks and trademarks. Each Owner and Occupant agrees to refrain from misappropriating or infringing these service marks or trademarks.

5.22 Owner Recording Additional Restrictions on Property.

No Owner may impose additional restrictive covenants on any lands within the Property beyond those contained in this Declaration without approval of the Declarant during the Declarant Control Period, and thereafter without consent of the Board of Directors. The Declarant may impose additional restrictive covenants on property then owned by the Declarant without the consent of any other Owner or the Association.

5.23 Owner's Re-subdivision.

No Common Area or Unit will be subdivided, or its boundary lines changed, nor will application for the same be made to any political subdivision with jurisdiction thereof, except with the prior written approval of the Declarant, during the Declarant Control Period, and thereafter except with the prior written approval of the Board of Directors. However, the Declarant reserves the right to so subdivide, and to take such other steps as are reasonably necessary to make the re-platted property suitable and fit as a building site, including, but not

limited to, the relocation of easements, walkways, rights-of-way, roads, bridges, parks, and Common Areas.

(a) Consolidation of Units.

The provisions of this Section 5.23 will not prohibit the combining of two (2) or more contiguous Units into one (1) larger Unit. Following the combining of two (2) or more such unimproved Units into one (1) larger Unit, as aforesaid, only the exterior boundary lines of the resulting larger Unit will be considered in the interpretation of this Declaration. Consolidation of Units, as described herein, must be approved by the Declarant during the Declarant Control Period, and thereafter by the Board of Directors, said approval to be granted in its respective sole discretion upon the terms and conditions established by it from time to time, including specific provisions for the payment of Assessments.

5.24 Assignment of Declarant's Rights to the Association.

The Declarant reserves the right to assign, in whole or in part, its rights reserved in this Declaration. The Association hereby agrees to accept any and all assignments of rights hereunder, and no further action will be required by it.

5.25 Declarant's Improvements.

Anything contained herein to the contrary notwithstanding, neither the improvements constructed and used by the Declarant in the conduct of its business or its activities are or will be subject to the restrictions set forth in this Declaration.

5.26 Other Rights and Reservations.

THE OMISSION OF ANY RIGHT OR RESERVATION IN THIS ARTICLE WILL NOT LIMIT ANY OTHER RIGHT OR RESERVATION BY THE DECLARANT WHICH IS EXPRESSLY STATED IN OR IMPLIED FROM ANY OTHER PROVISIONS IN THIS DECLARATION, OR RESERVED TO THE DECLARANT UNDER THE NORTH CAROLINA PLANNED COMMUNITY ACT.

ARTICLE 6

PROPERTY RIGHTS

6.1 General Rights of Owners.

Each Unit will for all purposes constitute real property which will be owned in fee simple and which, subject to the provisions of this Declaration, may be conveyed, transferred, and encumbered the same as any other real property. Each Owner will be entitled to the exclusive ownership and possession of his Unit, subject to the provisions of this Declaration, including without limitation, the provisions of this Article 6. If any chutes, flues, ducts, conduits, wires, pipes, plumbing, or any other apparatus or facilities for the furnishing of utilities

or other services or for the provision of support to any Unit lie partially within and partially outside of the designated boundaries of the Unit, any portions thereof which serve only such property will be deemed to be a part thereof, and any portions thereof which serve more than one such Unit or any portion of the Common Areas will be deemed to be a part of the Common Areas, and may be described in a Supplemental Declaration as a Limited Common Area. The ownership of each property subject to this Declaration will include, and there will pass with each property as an appurtenance thereto, whether or not separately described, all of the right and interest in and to the Common Areas as established hereunder, and the limitations applicable, which will include, but not be limited to, membership in the Association. Each Owner will automatically become a Member of the Association and will remain a Member thereof until such time as his ownership ceases for any reason, at which time his membership in the Association will automatically pass to his successor-in-title to his or its property.

6.2 Owner's Easement of Enjoyment.

Subject to the provisions of this Declaration and the rules, regulations, fees, and charges from time to time established by the Board of Directors in accordance with the Bylaws and the terms hereof, every Owner and Occupant will have a nonexclusive right, privilege, and easement of use and enjoyment in and to the Common Areas, including, but not limited to, easements of access, ingress and egress over and across all Common Areas, to the extent so entitled hereunder, such easement to be appurtenant to and to pass and run with title, subject to the rights, restrictions, reservations, covenants, easements and obligations reserved, granted or alienable in accordance with this Declaration, including, but not limited to:

(a) Right of Association to Borrow Money.

The right of the Board of Directors of the Association to borrow money (i) for the purpose of improving the Development, or any portion thereof, (ii) for acquiring additional Common Areas, (iii) for constructing, repairing, maintaining or improving any facilities located or to be located within the Development, or (iv) for providing the services authorized herein, and, subject to the provisions of Section 11.2, to give as security for the payment of any such loan a deed of trust or other security instrument conveying all or any portion of the Common Areas; provided, however, that the lien and encumbrance of any such security instrument given by the Association will be subject and subordinate to any and all rights, interest, options, licenses, easements, and privileges herein reserved or established for the benefit of the Declarant, any Owner, or the holder of any Mortgage, irrespective of when such Mortgage is executed or given. The right of the Association to borrow money under this Section 6.2(a) is subject to the written approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting).

(b) Right of Association to Convey Common Areas.

The right of the Board of Directors of the Association, with approval by Declarant so long as the Declarant owns any of the Property for development and sale in the ordinary course of its business, to dedicate or transfer fee title to all or any part of the Common

Areas for such purposes and subject to such conditions as may be set forth in such instrument of conveyance. The right of the Association to convey any Common Areas under this Section 6.2(b) is subject to the written approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting).

(i) On any instrument of dedication, or transfer of real property, the Secretary of the Association shall certify that eighty percent (80%) of the votes of the Members have approved the action evidenced by the instrument, and the certificate shall be conclusive that the execution and delivery of such instrument was properly authorized by the Association and its members and shall be relied upon and binding as to any third party or as to any grantee, its successor and assigns; provided, however, conveyances for general service utility purposes as specified in the Declaration may be made without consent of the members, and the Association may execute an instrument of conveyance therefore without such certification

(c) Declarant's Reserved Rights and Easements.

The rights and easements specifically reserved to the Declarant in this Declaration.

(d) Association's Rights to Grant and Accept Easements.

The right of the Board of Directors of the Association to grant and accept easements as provided in Section 6.9 and to dedicate or transfer fee simple title to all or any portion of the Common Areas and undedicated rights-of-way to any public agency or authority, public service district, public or private utility, or other person, provided that any such dedication or transfer of the simple title must be approved by the Declarant during the Declarant Control Period and thereafter for so long as the Declarant owns any of the Property primarily for the purpose of development or sale.

(e) Intentionally Deleted.

(f) Association's Rights and Easements.

The rights and easements specifically reserved in this Declaration for the benefit of the Association, its directors, officers, agents, and employees.

(g) Declarants Easements for Additional Property.

The Declarant's right to add Additional Property to this Declaration pursuant to Section 2.3(a) and the rights and easements reserved in Section 6.7(a) hereof for the benefit of the Additional Property so added to this Declaration.

(h) Owner's Delegation of Use.

An Owner may delegate, in accordance with the provisions of this Declaration, any Supplemental Declaration, adopted rules and regulations and the Bylaws,

including, but not limited to, the provisions of Section 6.4 below, his right of use and enjoyment to the Common Areas and facilities to the Members of his family, his tenants, or contract purchasers who reside on the Property.

6.3 Intentionally Deleted.

6.4 Amenities.

Subject to the terms and provisions of this Declaration and the rules, regulations, and Amenity Use Charges, if any, from time to time established by the Association, every Owner of a Unit, as well as the Owner's family members and guests shall have a non-exclusive right, privilege, and easement of access to and the use and enjoyment of any Amenities constructed within the Development.

6.5 Roadways; Dedication.

During the Declarant Control Period, the Declarant, and thereafter, the Association, shall have the right to dedicate any portion of the roadways within the Development to the applicable governmental authorities for the purpose of granting public access thereto and over said roadway and for the purpose of having said political subdivision assume responsibility for maintenance of such roadways. Furthermore, during the Declarant Control Period, the Declarant, and thereafter, the Association, shall maintain any such dedicated roadway until such time as the roadway is brought up to standards acceptable to such public body and maintenance thereof is assumed by such public body; provided, however, the Declarant may, in its sole discretion, reserve an easement over any such public roadway to be primarily maintained by such public body for the purpose of doing additional maintenance to said public streets and roads and to maintain landscaping along the unpaved rights-of-way thereof, and thereafter denominate in a Development Survey or Supplemental Declaration that said easement will constitute a Common Area of the Development to be maintained by the Association. The Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 11.6 hereof, in an amount sufficient to provide funds required to bring any roadway up to standards acceptable to any public body for the assumption by it of maintenance of a said roadway.

(a) Governmental Exculpation.

(i) In no case shall the Town be responsible for failing to provide any emergency or regular fire, police or other public service to the Development and any Unit therein or any Occupants thereof when such failure is due to lack of access to such areas due to inadequate design or construction, blocking of access routes, inadequate maintenance, or any other factor within the control of the Declarant, the Association, or Occupants.

(ii) In no case shall the Town or the State of North Carolina be responsible for maintaining any private road or street. Such responsibility shall rest with the Association.

(b) Sight Triangles.

No sight obstructing or partially obstructing wall, fence, foliage, berm, parked vehicle or sign between two (2) feet and eight (8) feet tall, as measured above the curb line elevation, or the nearest traveled way if no curb exists, shall be placed within any area designated on a Development Survey filed Of record as a sight triangle or other similar designation. An easement over sight triangles is reserved for the benefit of the Declarant, the Association, and the Town and their respective agents and contractors for the purpose of removing any such obstruction. Any person entering onto a Unit pursuant to such easement for the purpose of removing such obstruction shall not be deemed a trespasser and shall not be liable for damages to the Association or Owner of the Unit with respect to the obstruction removed from the site triangle. It shall be the responsibility of the Association (as to a Common Area with a sight triangle) and, subject to any applicable ARC approval required by the application of Section 4.4, the Owner (as to any Unit with a sight triangle), as soon as reasonably practicable following removal of any obstruction from the sight triangle, to restore the portion of the properties previously occupied by the removed obstruction to the condition required or permitted by the Town ordinances and this Declaration.

6.6 Easements over Common Areas and over Roadways Pending Dedication.

(a) Public and Service Vehicles.

Police, fire, water, health and other authorized municipal officials, employees and their vehicles; paramedic, rescue and other emergency personnel and their vehicles and equipment; school bus and U.S. Postal Service delivery drivers and their vehicles; private delivery or courier service personnel and their vehicles; and persons providing garbage collection services within the Development and their vehicles and equipment will each have a perpetual, non-exclusive easement for access, ingress and egress over the Common Areas and over the roadways constituting a portion of the Development and pending dedication, solely for the performance of their official duties.

6.7 Easements for Declarant.

During the Declarant Control Period, the Declarant will have an alienable and transferable right and easement on, over, through, under, and across the Common Areas for the purpose of constructing improvements in and to the Units and for installing, maintaining, repairing and replacing other improvements to the Property contemplated by this Declaration or as the Declarant desires, in its sole discretion, including, without limitation, any improvements or changes permitted and described by Article 2, and for the purpose of doing all things reasonably necessary and proper in connection therewith, provided in no event will Declarant have the obligation to do any of the foregoing.

(a) Declarant's Easements for Any Additional Property.

There is hereby reserved for the Declarant, and its successors, assigns, and successors-in-title to the Additional Property, for the benefit of and as an appurtenance to the Additional Property, when added to this Declaration pursuant to Section 2.3(a), and as a burden upon the then existing Development, perpetual, non-exclusive rights and easements for (A) pedestrian, vehicular, access, ingress, egress, parking over, across, within, and on all roads,

sidewalks, trails and parking facilities, from time to time located within the Development or within easements serving the Common Areas, (B) the installation, maintenance, repair, replacement, and use within the Common Areas, and those portions of properties encumbered pursuant to Section 6.9 for security systems and utility facilities and distribution lines, including, without limitation, drainage systems, storm sewers, and electrical, gas, telephone, water sewer, and master television antenna and/or cable system lines, and (C) drainage and discharge of surface water onto and across the then existing Development, provided that such drainage and discharge shall not materially damage or affect the then existing Development or any improvements located thereon.

6.8 Changes in Boundaries; Additions to Common Areas.

The Declarant expressly reserves the right to change and realign the boundaries of the Common Areas and any Units between such adjacent properties owned by the Declarant, provided that any such change or realignment of boundaries will not materially decrease the acreage of the Common Areas and will be evidenced by a revision of or an addition to the Development Survey which will be filed Of Record.

6.9 Easements for Utilities.

There is hereby reserved for the benefit of the Declarant, 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 public authority or agency, public service district, public or private utility, or other person, upon, over, under, and across (A) all of the Common Areas in accordance with this Declaration; (B) as shown on the Development Survey; (C) as required by applicable zoning ordinance; (D) as set forth in a Supplemental Declaration; or (E), in the absence of any of the foregoing, those strips of land, ten (10') feet in width, running adjacent to and parallel with a Unit's lot lines. Such applicable easements shall be for the purposes 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, storm sewers and drainage systems and electrical, gas, telephone, water, and sewer lines. Such easements may be granted or accepted by the Declarant, its successors or assigns, or by the Board of Directors, provided, however, that during the Declarant Control Period and thereafter for as long as the Declarant owns any of the Property primarily for the purpose of development and sale, the Board of Directors must obtain the written approval of the Declarant prior to granting and accepting any such easements. To the extent practical, in the Declarant's sole discretion, all utility lines and facilities serving the Development and located therein will be located underground. By virtue of any such easement and facilities, it will be expressly permissible for the providing utility company or other supplier or servicer, with respect to the portions of the Development so encumbered, (i) to erect and maintain pipes, lines, manholes, pumps, and other necessary equipment and facilities, (ii) to cut and remove any trees, bushes, or shrubbery, (iii) to grade, excavate, or fill, or (iv) to take any other similar action reasonable necessary to provide economical and safe installation, maintenance, repair, replacement, and use of such utilities and systems.

(a) Water and/or Sewer Lines Serving More than One Unit.

Any water or sewer line that serves more than one (1) Unit and which is either located outside of any public street right-of-way or outside of any Town utility easement shall be owned and maintained by the Association as a Common Area. In no case shall the Town or the State of North Carolina be responsible for maintaining any such private utility line or be responsible for the consequences for any backflow, blockage, break or leak in said utility line. Such responsibility shall rest with the Association and Owners of Units within the Development. Accordingly, the Town shall not be responsible for failing to provide regular or emergency utility services to any Unit or their Occupants when such failure is due to inadequate design or construction, backflow, blockage, leakage, inadequate maintenance, or any other factor within the control of the Declarant, the Association, or the Owners or Occupants of the Development.

6.10 Easement for Construction and Installation of Walks, Paths, and Signs.

There is hereby reserved for the benefit of the Declarant and the Association the alienable, transferable, and perpetual right and easement upon, over and across (a) all portions of the Common Areas in which improvements are not constructed or erected, and (b) all areas shown and noted on any Development Survey or described in any Supplemental Declaration for the installation maintenance, and use as recreational bike, pedestrian pathways or trails ("trail system"), as well as for traffic directional signs and related improvements. The trail system shall not interfere with or inhibit the residential purposes of the Properties.

(a) Easement for Use of Any Installed Path System.

The Declarant reserves for itself and the Association, a nonexclusive, perpetual easement of ingress, egress, access and use over, across and upon any path system installed upon the Kildaire Crossing Development for purposes of pedestrian and bicycle travel over and across any path system meandering throughout Kildaire Crossing.

6.11 Easements for the Association.

There is hereby reserved a general right and easement for the benefit of the Association, and to any manager employed by the Association and any employees of such manager, to enter upon any Unit, or any portion thereof in the performance of their respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practicable, only upon advance notice to and with permission of the Owner directly affected thereby. In addition, there shall exist for the benefit of the Association a perpetual encroachment easement and license on, over and across such portions of a Unit located adjacent to any such Common Area for any improvements constructed by the Association that extend onto an adjacent Unit and as is reasonably necessary to or desirable, to perform any maintenance, repair, reconstruction or replacement of such improvements.

6.12 General Maintenance Easement.

There is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement to enter upon any Property subject to this Declaration for the purpose of providing insect and reptile control, mowing, removing,

clearing, cutting, or pruning underbrush, weeds, stumps, or other unsightly growth and removing trash, so as to maintain reasonable standards of health, fire safety, and appearance within the Development, provided that such easements will not impose any duty or obligation upon the Declarant or the Association to perform any such actions, or to provide garbage or trash removal services. Further, there is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement to enter upon any Unit to maintain and repair any Common Area element located on a Unit.

6.13 Environmental Easement.

There is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement on, over, and across all unimproved portions of properties subject to this Declaration for the purpose of taking any action necessary to effect compliance with environmental rules, regulations, and procedures from time to time promulgated or instituted by the Board of Directors, or by any governmental entity, such easement to include, without limitation, the right to implement erosion control procedures and practices, the right to drain standing water, and the right to dispense pesticides.

6.14 Construction Setbacks.

Construction setbacks within the Development are measured by reference to front, rear and side yard easements shown and noted on the Development Survey or otherwise provided herein. Unless otherwise shown on the Development Survey, rear and front setbacks for a Unit shall be as set forth in the applicable zoning ordinance therefor.

(a) Residential Units Closer Than 5' from Lot Line.

A perpetual, non-exclusive access easement shall exist over the adjoining Unit of any residential dwelling located closer than five (5) feet from a lot line for the use and benefit of the Owner of the dwelling, and his or her tenant and their respective contractors, for purpose of maintenance, repair and replacement of such dwelling. No fence, wall, storage shed, or similar structure or any other kind of obstruction shall be permitted in the easement area that will obstruct access to the dwelling.

6.15 Party Structure.

(a) Applicability.

This Section shall apply to each shared fence or wall built as a part of the original construction on Units:

(i) any part of which is built upon or straddling the boundary line between two adjoining Units; or

(ii) which is built within four feet of the boundary line between adjoining Units, and is intended to serve as a privacy wall for the benefit of the adjoining Unit; or

(iii) which otherwise serves and/or separates two adjoining Units, regardless of whether constructed wholly within the boundaries of one Unit, including any portion unintentionally constructed by Declarant wholly within the boundaries of an adjacent Unit; and shall constitute a party wall or party fence, respectively (each herein referred to as "Party Structure"). The Owners of each such Unit (the "Adjoining Owners") shall own that portion of the Party Structure lying within the boundaries of their respective Units and shall have an easement for use and enjoyment and, if needed, for support, in that portion, if any, of the Party Structure lying within the boundaries of the adjoining Unit.

(b) Joint and Equal Obligations of Maintenance, Repair and Replacement.

In the event of required maintenance, repair as a result of damage, or replacement because of destruction of a Party Structure from any causes, other than the negligence of an Adjoining Owner, the Adjoining Owners of the subject Party Structure shall, at joint and equal expense, maintain, repair and rebuild the Party Structure. Required repair or rebuilding of a damaged or destroyed Party Structure shall be the same size and of the same or similar material and of like quality as the Party Structure initially constructed, situate generally in the original location on the common property line between adjoining Units, all pursuant to applicable governmental regulation and permits. Each such Adjoining Owner, their respective heirs, successors, and assigns, shall have the right to the use of the Party Structure so repaired or rebuilt. The Adjoining Owners shall undertake repairs and reconstruction of the Party Structure wherever a condition exists which may result in damage or injury to person or property if repair or reconstruction work is not undertaken. Either Adjoining Owner, upon discovering the possibility of damage or destruction, shall notify the other Adjoining Owner of the nature of the damage, the work required to remedy the situation, and the estimated cost of the repair or reconstruction. The other Adjoining Owner shall then have twenty (20) days from the receipt of the notice either to object to the repairs or reconstruction or to pay such noticed Adjoining Owner's share of the cost of the work. However, in the event of an emergency (i.e., a condition that is immediately threatening to the safety of persons or property), the Adjoining Owner giving such notice may undertake without consent only such work as shall abate the emergency, and the noticed Adjoining Owner shall then have five (5) days from receipt of the notice, which notice shall state with particularity the nature and extent of the existing emergency and the immediate actions taken or to be taken to abate the emergency and what further work, if any, is required for full repair and restoration, after which the noticed Adjoining Owner shall pay its share of the emergency abatement costs, and within the twenty (20) days above provided, shall either object to the further repair or reconstruction work or pay the noticed Adjoining Owner's share of the cost of such further work. The failure of the Adjoining Owner receiving such notice to object in writing to the Adjoining Owner sending such notice within the period of time provided shall be deemed to constitute such noticed Adjoining Owner's acceptance. In the event the Adjoining Owner receiving such notice objects in writing to such work to be done within the period of time provided, either Adjoining Owner may initiate resolution of such disputed repair or reconstruction pursuant to the terms and conditions of Article 15.

(c) Damage or Destruction Caused By Negligence.

If either Adjoining Owner's negligence, which is deemed to include the negligence of such Adjoining Owner's family, tenant, guest or invitee, shall cause damage to or destruction of the Party Structure, the negligent Adjoining Owner shall bear the entire cost of repair or reconstruction.

(d) Failure to Pay Share of Expenses.

If an Adjoining Owner shall neglect or refuse to pay such Adjoining Owner's share, or all of the cost in the case of negligence, arising from the repair or reconstruction of the Party Structure in accordance with Section 6.15(b), the other Adjoining Owner may, but shall not be required to, undertake such repair or reconstruction and to pay the share of the cost and expense of the Adjoining Owner neglecting or refusing to so pay, which amount thereof shall constitute a "Shared Cost Assessment" collectable in accordance with Section 6.15(h) and subject to lien therein provided.

(e) Decision Not to Rebuild.

Any portion of the Party Structure which is damaged or destroyed must be repaired or replaced promptly by the Owners unless:

(i) Repair or replacement would be illegal under any law, statute or ordinance governing health and safety; or

(ii) The Adjoining Owners agree unanimously, in writing, not to repair and reconstruct the damaged or destroyed Party Structure, and the ARC consents to such decision in writing.

(f) Disputes Generally.

All disputes between the Adjoining Owners shall be resolved pursuant to the provisions of Article 14.

(g) Adjoining Owners Easements.

(i) Access.

Each Adjoining Owner, and their respective guests, invitees, successors and assigns shall have a non-exclusive, perpetual easement of access, ingress and egress on, over and across any Party Structure designed for access, ingress and egress, such as shared driveways and walkways.

(ii) Maintenance, Repair and Construction Easement.

There shall exist for the benefit of each Adjoining Owner, and their respective guests, invitees, successors and assigns a perpetual easement for access, ingress and egress on, over and across such portions of the other Adjoining Owner's Unit reasonably necessary or desirable for the construction, repair, maintenance and replacement of the Party

Structure. With respect to the whole or any portion of a Party Structure located upon an Adjoining Owner's Unit, an Adjoining Owner shall have an encroachment easement upon the other Adjoining Owner's Unit pursuant to Section 6.15(g)(iii). This construction, repair, maintenance and replacement easement shall include the right to temporarily alter, obstruct and/or block off portions of the Party Structure during construction or repair in order to avoid injury to persons or damage to property. However, in every case of alteration, obstruction or blocking, the said Adjoining Owner exercising such right shall provide, if possible, reasonable alternative means of use and access around the affected area to allow access to and the continued use and enjoyment thereof by persons entitled to such use and enjoyment. All such construction, repair, maintenance and replacement shall be undertaken and completed in accordance with applicable governmental regulations and permits therefor.

(iii) Encroachment Easements and Licenses.

There shall exist for the benefit of each Adjoining Owner an exclusive perpetual encroachment easement and license on and across such portions of the Party Structure reasonably necessary or desirable, to perform any maintenance, repair, reconstruction or replacement of the Party Structure, being generally along the common property line between the Adjoining Owner's Units. There shall also exist for the benefit of each Adjoining Owner an encroachment easement and license to physically attach to the Party Structure any portion of its improvements attached in the original construction or required or desirable for support. Such encroachment easements and licenses shall include the right (but not the duty) to install, use, replace and maintain utility lines and facilities under and beneath such properties, including without limitation pipes and lines for water, electricity, telephone and cable television, all subject to the reasonable right of the respective Adjoining Owners to designate the actual location of any such utility easements encumbering their respective Units. In addition, there shall exist for the benefit of each Adjoining Owner an exclusive perpetual encroachment easement and license on and across such portions of the Party Structure reasonably necessary or desirable, to perform any maintenance, repair, reconstruction or replacement of the Party Structure, being generally along the common property line between the Common Area and the adjacent Unit.

(h) Shared Cost Assessments for Joint Structures.

(i) Creation of Lien and Personal Obligation for Shared Cost Assessments.

Each Adjoining Owner hereby covenants to pay its share of the costs and expenses of maintenance, repair and reconstruction of the Party Structure required pursuant to Section 6.15(b). Any such shared cost or expense remaining unpaid following five (5) days written demand therefor shall constitute a "Shared Cost Assessment". Any Shared Cost Assessment remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on the Adjoining Owner's Unit when a claim of lien is filed of record in the office of the Clerk of Superior Court for Wake County, North Carolina. A claim of lien shall set forth the name and address of the Adjoining Owner filing the lien, the name of the delinquent record holder of the adjoining Unit at the time the claim of lien is filed, a description of the Unit and the amount of the lien claimed. Such lien may be enforced by judicial foreclosure by the other Adjoining

Owner in the same manner in which deeds of trusts on real property may be foreclosed in the State of North Carolina. Proceedings to enforce the lien must be instituted within three (3) years after the docketing of the claim of lien in the office of the Clerk of Superior Court in Wake County, North Carolina or the lien for unpaid Shared Cost Assessments will be extinguished. In any such foreclosure, the delinquent Adjoining Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees) and such costs and expenses shall be secured by the lien being foreclosed. The delinquent Adjoining Owner shall also be required to pay any Shared Cost Assessments against the Adjoining Owner's Unit which shall become due during the period of foreclosure, and all such Shared Cost Assessments shall be secured by the lien being foreclosed. The Adjoining Owner holding such lien shall have the right and power to bid in at any foreclosure sale, and to thereafter hold, lease, mortgage, or convey the subject Unit. Each such Shared Cost Assessment, together with such interest, costs and reasonable attorney's fees shall be the personal obligation of the person who was the delinquent Adjoining Owner at the time when the Shared Cost Assessment fell due and also of any subsequent Adjoining Owner of the lien Unit; provided, however, that no Adjoining Owner acquiring title to the lien Unit at a foreclosure sale, or conveyance in lieu of foreclosure, of any mortgage, his successors and assigns, shall have any personal obligation with respect to the portion of any Shared Cost Assessments (together with late charges, interest, fees and costs of collection) related to such Unit, the lien for which is subordinate to the lien of the mortgage being foreclosed or with respect to which a deed in lieu thereof is given, as provided in Section 6.15(h)(iv).

(ii) Assumption of Obligation by Transferee.

The personal obligation of the Adjoining Owner to pay a Shared Cost Assessment shall remain his personal obligation notwithstanding the fact that any successor in title assumes such personal obligation. Furthermore, such prior Adjoining Owner and his successor in title who assumes such liabilities shall be jointly and severally liable with respect thereto, notwithstanding any agreement between such prior Adjoining Owner and his successor in title creating the relationship of principal and surety as between themselves, other than one by virtue of which such prior Adjoining Owner and his successor in title would otherwise be jointly and severally liable to pay such amounts.

(iii) Miscellaneous.

An Adjoining Owner may bring legal action against the defaulting Adjoining Owner personally obligated to pay a Shared Cost Assessment or foreclose its lien against the defaulting Adjoining Owner's Unit or pursue both such courses at the same time or successively. Adjoining Owners are deemed to have, to the fullest extent permitted by law, waived the right to assert any statute providing appraisal rights which may reduce any deficiency judgment obtained against a defaulting Adjoining Owner in the event of such foreclosure, and further waive all benefits that might accrue to an Adjoining Owner by virtue of any present or future homestead exemption or law exempting a Unit or portion thereof from sale.

(iv) Subordination of the Charges and Liens.

(A) The lien and permanent charge for the Shared Cost Assessments (together with late charges, interest, fees and cost of collection) authorized herein with respect to a Unit is hereby made subordinate to liens and encumbrances (specifically including, but not limited to, a Mortgage on the Unit) recorded before the docketing of the claim of lien in the office of the Clerk of Superior Court, and (ii) liens for real estate taxes and other governmental assessments and charges against the Unit. Sale or transfer of a Unit shall not affect the lien of the Shared Cost Assessments. However, where the holder of a Mortgage, or other purchaser of a Unit obtains title thereto as a result of foreclosure of a Mortgage or by deed in lieu thereof, such purchaser or grantee, as the case may be, and its heirs, successors, and assigns, shall not be liable for the Shared Cost Assessments against such Unit which became due prior to the acquisition of title to such Unit by such successor in title. In the event of co-ownership of the Unit against which the Shared Cost Assessments arises, all of such co-Owners will be jointly and severally liable for the entire amount of such Shared Cost Assessments.

(B) Such subordination is merely a subordination and shall not relieve the Unit's Adjoining Owner of his personal obligation to pay all Shared Cost Assessments coming due at a time when he is the Adjoining Owner; shall not relieve such Unit from the lien and permanent charge provided for herein (except as to the extent the subordinated lien and permanent charge is extinguished by foreclosure or deed in lieu thereof); and no sale or transfer of such Unit to the Mortgagee or to any other person pursuant to a foreclosure sale, or deed in lieu thereof, shall relieve any previous Adjoining Owner from liability for any Shared Cost Assessment coming due before such sale or transfer.

6.16 Irrigation Wells and Pumps.

There is hereby reserved for the benefit of the Association, for the purpose of irrigating any portions of the Development, an alienable, transferable, and perpetual right and easement, subject to governmental jurisdiction thereof (a) to pump water from bodies of water located within the Development, and (b) to drill, install, locate, maintain, and use wells and pumps within the Common Areas.

6.17 Easements Deemed Granted and Reserved.

All conveyances of a Unit hereunder, whether by the Declarant or otherwise, will be deemed to have granted and reserved, as the context will require, all easements set forth in this Declaration, including, but not limited to, those set forth in this Article 6.

6.18 No Partition.

There will be no judicial partition of the Development or any part thereof, nor will any person acquiring any interest in the Development or any part thereof seek any such judicial partition unless the Development has been removed from the provisions of this Declaration.

ARTICLE 7

MEMBERSHIP

7.1 Membership.

Every Owner, including the Declarant, of a Unit will be a Member of the Association. Ownership of a Unit will be the sole qualification for such membership. In the event that fee title to a 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 Mortgagees or any other 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.

7.2 Voting Rights.

The Association will have two (2) classes of voting memberships, which are as follows:

(a) Class A.

Class A Members will be Owners (including the Declarant) of Units. A Class A Member will be entitled to one (1) vote for each Unit owned.

(b) Class B.

The Class B Member will be the Declarant or its designated assign. The Class B Member will be entitled to ten (10) votes for each vote held by Class A Members, plus one (1) vote during the Declarant Control Period. Thereafter, the Class B Member will exercise votes only as to its Class A Memberships.

Payment of Special Assessments or Emergency Special Assessments will not entitle Class A Members to additional votes. 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.

(c) Voting By Multiple Owners.

When any Unit of a Class A Member of the Association is owned Of Record 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 Owner who is present at said meeting of the Association is entitled to vote on behalf of such Unit. If more than one Owner is present at an Association meeting, the vote for such Unit 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 filed Of Record, a copy of which will be delivered to the Secretary of the Association and will remain effective for

all meetings until revoked by the co-Owners in a similar writing or until such designation terminates pursuant to the terms of such writing.

7.3 Association Governance by Board.

A Board of Directors consisting of three (3) or five (5) members will govern the Association. Initially, during the Declarant Control Period, the Board will consist of three (3) members appointed by the Declarant, and following expiration of the Declarant Control Period, the Board will consist of five (5) members elected as provided in the Bylaws of the Association.

7.4 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 8

MAINTENANCE

8.1 Responsibilities of Owners.

All maintenance and repair of Units, together with all other improvements thereon or therein and all lawns, landscaping, and grounds on and within such property will be the responsibility of the Owner thereof. Each Owner will be responsible for maintaining his or its Unit in a neat, clean, and sanitary condition. Each Owner will also be obligated to pay for the costs incurred by the Association for repairing, replacing, maintaining, or cleaning any item which is the responsibility of such Owner, but which responsibility such Owner fails or refuses to discharge. Such costs and expenses, including reasonable costs and expenses of collection and such fines as may be established by the Association, from time to time, to reimburse the Association for the administrative costs incurred thereby, or otherwise, will be a Specific Assessment under Section 12.9. No Owner will (i) decorate, change, or otherwise alter the appearance of any portion of the exterior of a Unit dwelling, building or other structure, or the, landscaping, grounds, or other improvements within his or its property unless such decoration, change, or alteration is first approved, in writing, by the ARC, or (ii) do any work which, in the reasonable opinion of the Board of Directors, would jeopardize the soundness and safety of the Development, reduce the value thereof, or impair any easement or hereditament thereto, without in every such case obtaining the written approval of the Board of Directors, and the Owners and Mortgagees of property directly affected thereby or benefiting from such easement or hereditament.

(a) Holiday Decorations.

Notwithstanding the foregoing, the ARC may adopt specific guidelines of terms, conditions and standards for decorations which may be placed upon the exterior of a Unit

dwelling, building or the grounds thereof during a holiday season. The ARC may limit the application of such holiday decorating guidelines to generally recognized holidays that the ARC, in its sole discretion, deems to recognize in such guidelines; may limit the authorized placement of decorations to a specified period of time, before which and after which no such decoration shall be permitted; and may limit by size, color, composition, and construction material the types of decorations that will be allowed in accordance with such published guidelines.

8.2 Association's Responsibility.

(a) General; Association Common Areas.

The Association shall also keep in good repair all portions of the Common Areas and any easement area encumbering properties of Owners for which the Association is responsible under this Declaration, including responsibility prior to transfer to the Association in accordance with Section 2.5, or under any Supplemental Declaration, which responsibility will include the maintenance, repair, and replacement of (a) all drainage Stormwater Facilities not under governmental authority and responsibility, and specifically including, in addition to the Stormwater Facilities the Association's Common Responsibility under the Restriction Agreements, (b) all walks, paths, landscaped areas, and other improvements situated within the Common Areas or easements, (c) security systems and utility lines, pipes, plumbing, wires, conduits, and related systems which are a part of its said properties and serving Association Common Areas and which are not maintained by a public authority, public service district, public or private utility, or other person, (d) and all lawns, trees, shrubs, hedges, grass, and other landscaping situated within or upon its said properties or easement areas. Any utility or service that crosses a Common Area and serves Owner Units and that is not maintained by a public authority, public service district, public or private utility, or other person shall be the sole responsibility of the Owner or Owners served thereby and shall not be the responsibility of the Association. The Association will not be liable for injury or damage to any person or property (i) caused by the elements or by any Owner or any other person, (ii) resulting from any rain or other surface water which may leak or flow from any portion of its properties, or (iii) caused by any pipe, plumbing, drain, conduit, appliance, equipment, security system, or utility line or facility, the responsibility for the maintenance of which is that of the Association, becoming out of repair. Nor will the Association be liable to any Owner for loss or damage, by theft or otherwise, of any property of such Owner which may be stored in or upon any portion of its properties or any other portion of the Property. No diminution or abatement of Assessments will be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such Assessments being a separate and independent covenant on the part of each Owner. During the Declarant Control Period, Declarant has the power and authority to enter into Stormwater Facility Agreements, encroachment and other agreements with a governmental authority, utility providers, and other persons as Declarant, in its sole discretion, determines, each of which agreements are binding on the Association and all Owners, unless otherwise provided therein. The Association shall accept from Declarant any and all assignments of Declarant rights and obligations under any part or all of the Declaration, any

Supplemental Declaration, any Stormwater Facility Agreement, any easements, any encroachment agreement with a governmental authority, or any other agreement with or permit issued by a governmental authority, a utility provider, or any other person, and any document required to be executed with respect to the Property by a governmental authority, including assumption of all Declarant or Association obligations which are contained in such documents and agreements or which are incident to such assignments, as they relate to any Common Area, architectural approvals or other functions or services performed or provided by the Association.

(b) Work within Designated Landscape Easements.

The Association shall be responsible for maintaining and replanting any shrub or tree located within any area designated on a Development Survey filed Of Record as a landscape easement or similar designation. Association expenses for maintaining or replanting any shrub or tree located in a landscape easement or similar designation is a Common Expense. Whenever a slope easement co-exists, in whole or in part, within a designated landscape easement, and any future public improvement adjacent to the slope easement removes or causes any of the shrubs or trees within the slope easement to die or become unhealthy, it shall be the responsibility of the Association to replace the shrubs and trees in accordance with the minimum applicable quantity, size and spacing requirements of the Town Code within one hundred eighty (180) days of completion of the public improvement. No vegetation shall be removed without the prior written consent of the Association from within any area designated on a Development Survey filed Of Record as a landscape easement or similar designation; provided, however, governmental entities shall not be required to obtain the consent of the Association when working within slope easements, greenway easements or construction easements.

(c) Work In Behalf of Owners.

In the event that the Declarant or the Board of Directors determines that: (A) any Owner or Occupant has failed or refused to discharge properly his or its obligations with regard to the maintenance, cleaning, repair, or replacement of items for which he or it is responsible hereunder, or (B) that the need for maintenance, cleaning, repair, or replacement which is the responsibility of the Association hereunder is caused through the willful or negligent act of an Owner or Occupant, and is not covered or paid for by insurance in whole or in part, then, in either event, the Declarant or the Association, except in the event of an emergency situation, may give such Owner written notice in accordance with Section 15.16 of the Declarant's or the Association's intent to provide such necessary maintenance, cleaning, repair, or replacement, at the sole cost and expense of such Owner, and setting forth with reasonable particularity the maintenance, cleaning, repairs, or replacement deemed necessary. Except in the event of emergency situations, such Owner will have fifteen (15) days within which to complete the same in a good and workmanlike manner, or in the event that such maintenance, cleaning, repair, or replacement is not capable of completion within said fifteen (15) day period, to commence said maintenance, cleaning, repair, or replacement and diligently proceed to complete the same in a good and workmanlike manner. In the event of emergency situations or the failure of any Owner to comply with the provisions hereof after such notice, the Declarant or the Association may provide (but will not have the obligation to so provide) any such maintenance, cleaning, repair, or replacement at the sole cost and expense of such Owner and said cost will be

added to and become a part of the Assessment to which such Owner and his property is subject and will become a lien against such property. In the event that the Declarant undertakes such maintenance, cleaning, repair, or replacement, the Association will promptly reimburse the Declarant for the Declarant's costs and expenses.

ARTICLE 9

INSURANCE AND CASUALTY LOSSES

9.1 Insurance.

(a) Association's Property Insurance.

The Board of Directors will have the authority to obtain and continue in effect adequate property insurance, in such form as the Board deems appropriate, for the benefit of the Association. Such coverage will insure all insurable improvements in and to the Common Areas against loss or damage by fire or other insurable hazards, including, without limitation, extended coverage, flood, vandalism, and malicious mischief, such coverage to be in an amount sufficient to cover, after application of any deductibles, not less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies. If adequate property insurance cannot be obtained at reasonable rates, the Board of Directors shall promptly cause notice of that fact to be hand delivered or mailed first class, postage prepaid, to all Owners.

(b) Association's Liability Insurance.

The Board will have the authority to and will obtain and continue in effect a public liability policy covering all the Common Areas and all damage or injury caused by the negligence of the Association, its Members, its directors and officers, or any of its agents. Such public liability policy will be in an amount of not less than one million dollars (\$1,000,000.00), covering all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership, or maintenance of Common Areas. If adequate liability insurance cannot be obtained at reasonable rates, the Board of Directors shall promptly cause notice of that fact to be hand delivered or mailed first class, postage prepaid, to all Owners.

(c) Fidelity Bonds.

Unless management of the Association is provided by an established, professional property management company, in which case the provisions of this Section 9.1(c) shall not apply, the Association will obtain, maintain and pay the premiums, as a Common Expense, upon a blanket fidelity bond for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds belonging to or administered by the Association, including any professional management company assisting with the administration of the Association. The total amount of the fidelity bond coverage required will

be based upon the best business judgment of the Board of Directors. Fidelity bonds will meet the following requirements: the Association will be named as an obligee; the bonds will contain waivers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions; and the bond will provide that it may not be canceled or substantially modified (including cancellation for nonpayment of a premium) without at least ten (10) days prior written notice to the Association and each Mortgagee listed as a scheduled holder of a first Mortgage in the fidelity bond.

(d) Association's Other Insurance.

The Board will have the authority and may obtain (A) workers' compensation insurance to the extent necessary to comply with any applicable laws and (B) other types and amounts of insurance as may be determined by the Board to be necessary or desirable, including, but not limited to, directors' and officers' liability coverage.

(e) Association's Policies.

All such insurance coverage obtained by the Board of Directors will be written in the name of the Association as trustee for each of the Owners to the extent of his insurable interest and costs of all such coverage will be a Common Expense. Exclusive authority to adjust losses under policies obtained by the Association and hereafter in force with respect to the Development will be vested in the Board of Directors; provided, however, that no Mortgagee or other security holder of the Common Areas having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto. Insofar as permitted by law, the Association will be required to make every effort to secure insurance policies with the provisions hereinafter set forth:

(i) All policies will be written with a company licensed to do business in North Carolina holding a rating of A+ in a financial category of 10, or a better rating and financial category, as established by Best's Insurance Reports, if such a company is available or, if not available, its equivalent rating or the best possible rating.

(ii) All property insurance policies will be for the benefit of the Owners and their Mortgagees as their insurable interests may appear.

(iii) All policies will contain a waiver of the insurer's right to cancel without first giving thirty (30) days' prior written notice of such cancellation to the Association and to any Mortgagee to which a mortgagee endorsement has been issued.

(iv) In no event will the insurance coverage obtained and maintained by the Association's Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners or their Mortgagees, and all policies will contain a provision that the "other insurance" clauses in such policies exclude from consideration policies obtained by individual Owners or their Mortgagees.

(v) All policies will contain a waiver of subrogation by the insurer as to any claims against the Association, the Association's directors and officers, the Owners, Occupants, the Association's manager and any Owner or member of the Owner's household.

(vi) All policies will contain a provision that no policy may be cancelled, invalidated, or suspended on account of the conduct of one or more of the individual Owners or Occupants on account of the acts of any director, officer, employee, or agent of the Association or of its manager, without prior demand in writing to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured, said time to be at least thirty (30) days. All written demands shall be delivered to the Association and to each Owner and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued, at their respective last known address.

(vii) All liability insurance will contain cross-liability endorsements to cover liability of the Association to an individual Owner.

(viii) All policies will contain a provision that no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy.

(ix) All policies will contain a provision that the insurer issue certificates or memoranda of insurance to the Association and, upon written request, to any lot owner, mortgagee, or beneficiary under a deed of trust; provided further, however, the insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or nonrenewal has been mailed to the association, each lot owner, and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

(f) Owner's Insurance.

It will be the individual responsibility of each Owner at his own expense and election to provide public liability, property damage, title, and other insurance with respect to his or its own Unit. The Board of Directors may require all Owners to carry public liability and property damage insurance with respect to their respective Units and to furnish copies or certificates thereof to the Association.

9.2 Damage or Destruction to Common Areas.

Immediately after damage or destruction by fire or other casualty to all or any part of the Common Areas covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent will proceed with the filing and adjustment of all claims arising under such insurance, and, in any such event, the Board will obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this Section 9.2, means repairing or restoring the damaged property substantially to the same condition in which it existed prior to the fire or other casualty. Unless within sixty (60) days following any damage or destruction to all or a part of the Common Areas, Declarant, for so long as Declarant owns any of the Property primarily for development or sale,

and the Board acting on the vote of eighty percent (80%) or more of the votes of the entire Association, including one hundred percent (100%) of the Owners assigned exclusive use of any Limited Common Area not to be rebuilt, by Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), will otherwise agree, the Association will restore or replace such damaged improvements. If any insurance proceeds for such damage or destruction are not sufficient to defray the cost thereof, including any amount attributable to Association's insurance deductible, and such deficiency cannot be appropriated from a reserve fund as may have been established for such purpose, the Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 12.6 hereof, such Special Assessment to be in an amount sufficient to provide funds to pay such excess cost or repair or reconstruction. Such a Special Assessment will be levied against the Owners equally in the same manner as Annual Assessments are levied, and additional Special Assessments may be made at any time during or following the completion of any repair or reconstruction. If it is determined that the damage or destruction for which the insurance proceeds are paid will not be repaired or reconstructed, such proceeds will be used to restore the damaged or destroyed Common Areas to a condition compatible with the remainder of the subdivision. Any remaining insurance proceeds will be distributed to the Owners or lienholders, as their interests may appear, in proportion to the common expense liabilities of all Units.

9.3 Damage or Destruction to Owners' Properties.

In the event of damage or destruction by fire or other casualty to any property subject to this Declaration, or the improvements thereon, and in the further event that the Owner responsible for the repair and replacement of such property elects not to repair or rebuild, such Owner will promptly clear away the ruins and debris of any damaged improvements or vegetation and leave such property in a clean, orderly, safe, and slightly condition. Should such Owner elect to repair or rebuild such property or other improvements thereon, such Owner will repair or rebuild substantially to the same condition as existed prior to such fire or other casualty and in accordance with all applicable standards, restrictions, and provision of this Declaration (including, without limitation, the procedures and architectural guidelines under Article 4) and all applicable zoning, subdivision, building, and other governmental regulations. All such work or repair or construction will be commenced promptly following such damage or destruction and will be carried through diligently to conclusion.

9.4 Damage or Destruction to Common Areas by Owners.

If an Owner is responsible for damage inflicted on any Common Area, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover the amount from the Owner.

9.5 Damage to an Owner's Unit by Association.

If damage is inflicted on any Unit by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to

reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner.

9.6 Hearing Procedure Following Damage or Destruction.

When a claim arising under Sections 9.4 or 9.5 is less than or equal to \$4,000 or the then current jurisdictional amount for small claims pursuant to N.C. Gen. Stat. 47F-3-107, the aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Board of Directors to determine if an Owner is responsible for damages to any Common Area or if the Association is responsible for damages to a Unit. The adjudicatory panel may assess liability for the damage incurred by the aggrieved party. If the amount of damage is found to be more than the current jurisdictional amount for small claims, liability of any Owner or the Association shall be determined as otherwise provided by law.

(a) If the party charged is assessed an amount pursuant to this Section, said amount will be due within thirty (30) days of receipt of the amount assessed.

(b) Any assessment payable by an Owner remaining unpaid for thirty (30) days, together with simple interest at a rate established from time to time by the Board of Directors, not to exceed eighteen (18%) per annum, will be an equitable charge and a continuing lien when a claim of lien is filed of record in the office of the Clerk of Superior Court in Wake County, North Carolina. A claim of lien shall set forth the name and address of the Association, the name of the record Owner of the Unit at the time of the claim of lien is filed, a description of the Unit and the amount of the lien claimed. A lien for unpaid assessments for damages by an Owner is extinguished unless proceedings to enforce the lien are instituted within three years after the docketing of the claim of lien in the office of the Clerk of Superior Court in Wake County, North Carolina.

(c) A judgment, decree, or order in any action brought under this Section shall include costs and reasonable attorney's fees of enforcement and collection for the prevailing party.

(d) In addition, any liabilities of the Association determined by the adjudicatory Panel in the hearing pursuant to Section 9.6(e)(ii) below or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any Lien of the Association against the Unit at issue.

(e) Procedure. In the event an aggrieved party requests that an Owner or the Association be brought before an adjudicatory Panel, the following procedures shall control.

(i) Notice. If an aggrieved party requests a hearing pursuant to this Section 9.6, then the Board shall provide the party charged with twenty (20) days' notice of the time and place of the hearing and the damage alleged.

(ii) Hearing. All hearings under this Section 9.6 will be held before an adjudicatory panel appointed by the Board, or if no adjudicatory panel is appointed, the hearing

will be before the Board itself sitting as the adjudicatory panel. The party charged will be afforded an opportunity to be heard and to present witnesses and written notice of the decision.

ARTICLE 10

CONDEMNATION

10.1 Condemnation of Common Areas.

Whenever all or any part of the Common Areas of the Development will be taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof by the Board acting on the affirmative vote of seventy-five percent (75%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members, which percentage will also constitute the quorum required for any such meeting, and following written approval by the Declarant for so long as the Declarant owns any of the Property primarily for development or sale (or has contractual rights to purchase any portion of the Property), the award or proceeds made or collected for such taking or sale in lieu thereof will be payable to the Association and will be disbursed or held as follows:

(a) Common Areas With Improvements.

If the taking or sale in lieu thereof involves a portion of the Common Areas on which improvements have been constructed, then, unless within sixty (60) days after such taking the Declarant, for so long as the Declarant owns any of the Property primarily for development or sale (or has contractual rights to purchase any portion of the Property), and the Board, acting on the vote of seventy-five percent (75%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), will otherwise agree, the Association will restore or replace such improvements so taken, to the extent practicable, on the remaining lands included in the Common Areas which are available therefore, in accordance with the plans approved by the Board of Directors, the ARC, and by Declarant during the Declarant Control Period. If the awards or proceeds are not sufficient to defray the cost of such repair and replacement and such deficiency cannot be appropriated from a reserve fund as may have been established for such purpose, the Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 12.5, such Special Assessment to be in an amount sufficient to provide funds to pay such excess cost or repair or reconstruction. Such a Special Assessment will be levied against the Owners equally in the same manner as Annual Assessments are levied, and additional Special Assessments may be made at any time during or following the completion of any repair or reconstruction. If such improvements are not to be repaired or restored, the award or proceeds will be retained by and for the benefit of the Association.

(b) Common Areas Without Improvements.

If the taking or sale in lieu thereof does not involve any improvements to the Common Areas, or if there are net funds remaining after any such restoration or replacement

of such improvements is completed, then such award, proceeds, or net funds will be retained by and for the benefit of the Association.

(c) Including Owner's Property.

If the taking or sale in lieu thereof includes all or any part of an Owner's property and also includes any part of the Common Areas, then a court of competent jurisdiction will apportion such award or proceeds and such award or proceeds will be disbursed to the Association and the Owners so affected so as to give just compensation to the Owners for their interest in such property; provided, however, such apportionment may instead be resolved by the agreement of (A) the Board of Directors, (B) the Owners of all properties wholly or partially taken or sold, together with the Mortgagees for each such property, and (C) the Declarant, for so long as the Declarant owns any of the Property primarily for development or sale (or has contractual rights to purchase any portion of the Property).

10.2 Condemnation of Owners' Properties.

(a) Election Not To Restore.

In the event that all or any part of a property subject to this Declaration, or any improvements thereon is taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof, and in the further event that the Owner thereof elects not to restore the remainder of such property, then the Owner making such election will promptly clear away any remaining improvements damaged or destroyed by such taking or conveyance and will leave such property and any remaining undamaged improvements thereon in a clean, orderly, safe, and slightly condition. In addition, if the size or configuration of such property remaining after such taking or conveyance is insufficient to permit the restoration of the remaining improvements thereon or therein to their condition prior to such taking or conveyance in compliance with all applicable standards, restrictions, and provision of this Declaration and all applicable zoning, subdivision, building, and other governmental regulations, then such Owner will have the option, after clearing away all remaining improvements or portions thereof and placing the remainder in a clean, orderly, safe, and slightly condition referred to above, of deeding the remaining portion of the property to the Association as a part of the Common Areas, and thereafter any such Owner will not have any further voting rights or membership rights or privileges in the Association or with respect to the Development and will not be subject to any further Assessments imposed by the Association and payable after the date of such deeding and attributable to such property deeded to the Association.

(b) Election to Restore.

In the event that any part of a property subject to this Declaration, or any improvements thereon, is taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof, and if the Owner thereof elects to restore the remainder of the property, such Owner making such election will restore such remainder thereof as nearly as practicable to the same condition it was in prior to such taking or conveyance and in accordance with all applicable standards, restrictions, and provisions of this Declaration and all applicable zoning, subdivision, building, and other governmental regulations. All such work of restoration

will be commenced promptly following such taking or conveyance and will be carried through diligently to conclusion.

ARTICLE 11

FUNCTIONS OF THE ASSOCIATION

11.1 Board of Directors and Officers.

The Association, subject to the rights of the Declarant and the rights and duties of the Owners set forth in this Declaration, will be responsible for the exclusive management and control of the Common Areas and all improvements thereon (including furnishings and equipment related thereto) and will keep the same in a good, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions thereof. Except to the extent otherwise required by the provisions of the Nonprofit Corporation Act, this Declaration, the Bylaws, or the Articles of Incorporation, the powers herein or otherwise granted to the Association shall be exercised by the Board of Directors, acting through the officers of the Association and their duly authorized delegees, without any further consent or action on the part of the Owners. As provided in Section 15.1 hereof and notwithstanding any other provision to the contrary contained in any instruments evidencing or establishing the Development, Declarant will have the right to appoint or remove any member or members of the Board of Directors or any officer or officers of the Association during the Declarant Control Period. Each Owner, by acceptance of a deed to or other conveyance of a Unit vests in Declarant such authority to appoint and remove directors and officers of the Association as provided by this Section 11.1 and by Section 15.1 hereof.

11.2 Duties and Powers.

The duties and powers of the Association will be those set forth in the provision of the North Carolina Planned Community Act, the North Carolina Nonprofit Corporation Act, the Bylaws, and the Articles of Incorporation, together with those reasonably implied to effect the purposes of the Association; provided; however, that if there are conflicts or inconsistencies between the North Carolina Planned Community Act, the North Carolina Nonprofit Corporation Act, this Declaration, the Bylaws, or the Articles of Incorporation, the provisions of the North Carolina Planned Community Act, the North Carolina Nonprofit Corporation Act, this Declaration, the Articles of Incorporation, and the Bylaws, in that order, will prevail, and each Owner of a property within the Development, by acceptance of a deed or other conveyance therefor, covenants to vote in favor of such amendments as will remove such conflicts or inconsistencies. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, together with every other right or privilege reasonable to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege. Such powers of the Association will include, but will not be limited to, the power to purchase one or more properties subject to this Declaration and to hold, lease, mortgage, sell, and convey the same. Such duties may include, but will not be limited to, arranging with governmental agencies, public service districts, public or private

utilities, or others, as a Common Expense or by billing directly to the Owners, to furnish trash collections, water, sewer, and/or security service for the properties subject to this Declaration. Notwithstanding the foregoing provision of this Section 11.2 or any other provision of this Declaration to the contrary, during the Declarant Control Period the Association will not, without the written approval of Declarant, borrow money or pledge, mortgage, or hypothecate all or any portion of the Common Areas.

(a) Ownership of Properties.

The Association will be authorized to own, purchase, lease, use under any use agreement, and maintain (subject to the requirements of any Federal, State or local governing body of North Carolina) Common Areas, equipment, furnishings, and improvements devoted to the uses and purposes expressed and implied in this Declaration, including, but not limited to, the following uses:

- (i) For park areas, walks, paths or trails throughout the Property;
- (ii) For security services, including security stations, maintenance building and/or guardhouses;
- (iii) For providing any of the services which the Association is authorized to offer under Section 11.2(b) below; and
- (iv) For purposes set out in deeds or agreements by which Common Areas are conveyed or by which use rights are granted to the Association.

(b) Services.

The Association will be authorized (unless prohibited by the requirements of any Federal, State or local governing body) to provide such services required to promote the uses and purposes for which the Association is formed as expressed or implied in this Declaration, including, but not limited to, the following services:

- (i) Cleanup and maintenance of all Development roads, roadways, road shoulders, roadway medians, and parkways pending public dedication; drainage areas and easements outside of the Units; and also all public properties which are located within or in a reasonable proximity to the Property such that their deterioration would affect the appearance of the Property as a whole;
- (ii) Landscaping of Common Areas and walking paths within or constituting a Common Area;
- (iii) Lighting throughout the Common Area;
- (iv) Maintenance of any installed electronic and other access and control devices for the protection of the Property, if any such devices are ever installed, and

assistance to the local police and sheriff departments in the apprehension and prosecution of persons who violate the laws of North Carolina within the Property;

(v) Insect and pest control to the Common Area to the extent that it is necessary or desirable in the judgment of the Board of Directors to supplement the service provided by the state and local governments;

(vi) The services necessary or desirable in the judgment of the Board of Directors to carry out the Association's obligations and business under the terms of this Declaration and to collect Annual Assessments, Special Assessments, Emergency Special Assessments, Specific Assessments, and other fees and charges collectable from the Owners hereunder;

(vii) To take any and all actions necessary to enforce these and all covenants and restrictions affecting the Property and to perform any of the functions or services delegated to the Association in any covenants or restrictions applicable to the Property;

(viii) To set up and operate an architectural review committee in the event that the Association is assigned the whole or any portion of the function of the ARC by the Declarant;

(ix) To construct improvements on Common Areas for use for any of the purposes or as may be required to provide the services as authorized in this Section;

(x) To provide administrative services including but not limited to legal, accounting and financial; and communications services informing Members of activities, notice of Meetings, Referendums, etc., incident to the above listed services;

(xi) To provide liability and hazard insurance covering improvements and activities on Common Areas;

(xii) To provide water, sewage, and any necessary utility services not provided by a public body, private utility or the Declarant;

(xiii) To provide any or all of the above listed services to another Association or Owners of real property under a contract, the terms of which must be approved by the Board of Directors; and

(xiv) To provide for hearings and appeal process for violations of rules and regulations.

11.3 Agreements.

Subject to the prior approval of the Declarant during the Declarant Control Period, all agreements and determinations lawfully authorized by the Board of Directors will be binding upon the Association and all Owners, their heirs, legal representatives, successors, and assigns, and all others having an interest in the Development or the privilege of possession and

enjoyment of any part of the Development will comply with and be subject to the authorized actions of the Board of Directors. In performing its responsibilities hereunder, the Board of Directors, will have the authority to delegate to persons of its choice such duties of the Association as may be determined by the Board of Directors. In furtherance of the foregoing and not in limitation thereof, the Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association will deem necessary or desirable for the proper operation of the Development, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or with which it contracts. All costs and expenses incident to the employment of a manager will be a Common Expense. During the term of such management agreement, such manager may, if authorized by the Board of Directors, exercise all of the powers and will be responsible for the performance of all the duties of the Association, excepting any of those powers or duties specifically and exclusively reserved to the directors, officers, or Members of the Association by this Declaration or the Bylaws. Such manager may be an individual, corporation, or other legal entity, as the Board of Directors will determine, and may be bonded in such a manner as the Board of Directors may require, with the cost of acquiring any such bond to be a Common Expense. In addition, the Association may pay for, and the Board of Directors may hire and contract for, such legal and accounting services as are necessary or desirable in connection with the operation of the Development or the enforcement of this Declaration, the Bylaws, or the rules and regulations of the Association.

(a) Management Agreement.

During the Declarant Control Period, the Declarant or an affiliate may be employed as the manager of the Association and the Development, with the option on the part of the Declarant or its affiliate to renew such employment for three (3) successive one-year terms from and after the termination of the Declarant Control Period. Every grantee of any interest in the Development, by acceptance of a deed or other conveyance of such interest, will be deemed to ratify such management agreement.

11.4 Mortgage or Pledge.

Subject to the provisions of Section 6.2(a), the Board of Directors will have the power and authority to mortgage the property of the Association and to pledge the revenues of the Association as security for loans made to the Association which loans will be used by the Association in performing its authorized functions upon the approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting). The Declarant may make loans to the Association, subject to approval by the Declarant of the use to which such loan proceeds will be put and the terms pursuant to which such loans will be repaid. Notwithstanding anything in this Declaration to the contrary, the Association will not be allowed to reduce the limits of the regular Annual Assessment at any time there are outstanding any amounts due the Declarant as repayment of any loans made by the Declarant to the Association.

11.5 Personal Property and Real Property for Common Use.

The Board of Directors may acquire and hold tangible and intangible personal property and real property and may dispose of the same by sale or otherwise. All funds received and title to all properties acquired by the Association and the proceeds thereof, after deducting therefrom the costs incurred by the Association in acquiring or selling the same, will be held by and for the benefit of the Association. The shares of the Owners in the funds and assets of the Association cannot be individually assigned, hypothecated, or transferred in any manner, except to the extent that a transfer of the ownership of a Unit also transfers the membership in the Association which is an appurtenance to such Unit.

11.6 Rules and Regulations.

As provided in Article 13 hereof, the Board of Directors, may make, amend, revoke and enforce reasonable rules and regulations governing the use of the Units and Common Areas, which rules and regulations will be consistent with the rights and duties established by this Declaration.

11.7 Reduction in Services.

During the first two calendar years after the recordation of this Declaration, and during the first two years when any Additional Property may be added to this Declaration, the Board of Directors will define and list a minimum level of services that will be furnished by the Association. So long as the Declarant is engaged in the development of properties, which are subject to the terms of this Declaration, the Association will not reduce the level of services it furnishes below such minimum level. Such minimum level of service will expressly include an obligation of the Association to maintain the Common Areas and pay the costs and expenses set forth in any lease or use agreement therefor.

11.8 Obligation of the Association.

The Association will not be obligated to carry out or offer any of the functions and services specified by the provisions of this Article except as expressly provided in this Declaration or as specified in Section 11.7 above. The functions and services to be carried out or offered by the Association at any particular time will be determined by the Board of Directors taking into consideration the funds available to the Association and the needs of the Members of the Association. Special Assessments will be submitted for approval as herein provided. Subject to the provisions of Section 11.7 above, the functions and services which the Association is authorized to carry out or to provide may be added or reduced at any time upon the sole approval of the Declarant during the Declarant Control Period, and thereafter, the functions and services which the Association is authorized to carry out or to provide may be added or reduced by the Board acting on the vote of fifty-one percent (51%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting).

ARTICLE 12

ASSESSMENTS

12.1 Purpose of Assessments.

The Assessments for Common Expenses provided for herein will be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit, and enjoyment of the Owners and Occupants of the Development, and maintaining the Development and improvements therein, all as may be more specifically authorized from time to time by the Board of Directors.

(a) Association's Costs and Expenses Discharging its Duties under Common Responsibilities.

The Annual Assessments shall also include, and there shall be added to the billing therefor if not otherwise reflected in the budget of the Association, the Association's costs and expenses incurred under and pursuant to its obligations for the Association's Common Responsibilities, including, but not limited to, those expressly described in Section 1.1(1).

12.2 Creation of Lien and Personal Obligation of Assessments.

Each Owner, by acceptance of a deed or other conveyance thereof, whether or not it will be so expressed in such deed or conveyance, is deemed to covenant and agree to pay to the Association: (A) Annual Assessments, such Assessments to be established and collected as provided in Section 12.3, (B) Special Assessments, such Assessments to be established and collected as provided in Section 12.5, (C) Emergency Special Assessments, such Assessments to be established and collected as provided in Section 12.7 and (D) Individual or Specific Assessments pursuant to Section 12.9. Any such Assessments remaining unpaid for thirty (30) days, together with late charges, simple interest at a rate established from time to time by the Board of Directors, and court costs and attorneys' fees incurred to enforce or collect such Assessments, will be an equitable charge and a continuing lien when a claim of lien is filed of record in the office of the Clerk of Superior Court in Wake County, North Carolina. A claim of lien shall set forth the name and address of the Association, the name of the record Owner of the Unit at the time of the claim of lien is filed, a description of the Unit and the amount of the amount of such assessment and such other charges thereon as may be authorized by this Declaration and the North Carolina Planned Community Act. Before filing a claim of lien against any Unit, the Association shall make reasonable and diligent efforts to ensure that its records contain the Owner's current mailing address and make a written demand to the defaulting Owner for payment of the delinquent Assessments together with late charges, interest, reasonable collection costs and reasonable attorneys' fees, if any. The Owner shall be notified in writing of the Association's intent to seek payment of attorneys' fees and court costs in accordance with §47F-3-116(e1) of the North Carolina Planned Community Act. Upon payment of such assessment and charges in connection with which such notice has been so recorded, or other satisfaction thereof, the Association, at the Owner's cost and expense, shall cause to be recorded a cancellation of claim of lien stating the satisfaction and the release of the lien thereof.

Assessments will be paid in such manner and on such dates as may be fixed by the Board of Directors in accordance with Section 12.3(d). Each Owner will be personally liable for Assessments, together with any late charges, interest, collection costs and reasonable

attorneys' fees, coming due while he is the Owner of a Unit, and his grantee will take title to such property subject to the equitable charge and continuing lien therefor, but without prejudice to the rights of such grantee to recover from his grantor any amounts paid by such grantee therefor; provided, however, the lien for unpaid Assessments will be subordinate to liens and encumbrances (specifically including, but not limited to, a Mortgage encumbering the Unit) recorded before the docketing of the claim of lien in the office of the Clerk of Superior Court, and (ii) liens for real estate taxes and other governmental assessments and charges against the Unit. Sale or transfer of any Unit will not affect the lien of the Assessments; however, the sale or transfer of any Unit, which is subject to any Institutional Mortgage or Mortgage of Declarant, pursuant to a decree of foreclosure or deed in lieu thereof, will extinguish the lien of the Assessments as to payment thereof which became due prior to such sale or transfer. Such unpaid Assessments shall be deemed Common Expenses collectible from all Owners, including the purchaser at foreclosure. In addition, no sale or transfer shall relieve the Unit from liability for any Assessments thereafter becoming due or from the lien thereof. In the event of co-ownership of any property subject to this Declaration, all of such co-Owners will be jointly and severally liable for the entire amount of such Assessments. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the docketing of the claim of lien in the office of the Clerk of Superior Court in Wake County, North Carolina. A judgment, decree, or order in any action brought under this Section shall include costs and reasonable attorney's fees for the prevailing party.

12.3 Establishment of Annual Assessment.

The Declarant has prepared the initial budget of the Association and a copy is available to any Owner upon written request. It will be the duty of the Board of Directors at least sixty (60) days prior to the first day of the Association's first full fiscal year, and each fiscal year thereafter, to prepare a budget covering the estimated Common Expenses during the coming year, such budget to include a reserve account, if necessary, for the capital needs of the Association or with respect to any capital need applicable to the Units and which is an Area of Common Responsibility of the Association. Annual Assessments shall be allocated among the Units owned by Class A Members equally, subject to the exemption provided in Section 12.8.

(a) Notice of Proposed Annual Assessment, Ratification.

The Board will cause notice of the budget and the proposed total of the Annual Assessments to be levied against properties subject to this Declaration for the following year to be delivered to each Owner at least thirty (30) days prior to the first day of the fiscal year for which the budget and Assessments are established. Such notice shall set a date for a meeting of the Owners to consider ratification of the budget, at which a quorum need not be present, and shall include a statement that the budget will be ratified unless at the meeting the Owners entitled to cast ninety five percent (95%) of the votes of the Association rejects the Budget. Such meeting shall be held not less than ten (10) nor more than sixty (60) days after mailing of said notice.

(b) Disapproval of Annual Assessments.

The annual budget and Annual Assessments, as determined by the Board of Directors, as hereinabove provided, will become effective unless disapproved as above provided. In the event the proposed budget and Annual Assessments are disapproved or in the event the Board of Directors fails for any reason to determine an annual budget and to set the Annual Assessments, then and until such time as a budget and Annual Assessment will have been determined as provided herein, the budget and Annual Assessments will be the Default Budget and Default Annual Assessments calculated in accordance with Section 12.4.

(c) Special Board Action to Increase.

If the Board of Directors determines that the important and essential functions of the Association budgeted for the year will not be properly funded in any year by the Annual Assessment herein provided, it may increase such Assessment; provided, however, an increase in Annual Assessments in any year pursuant to special Board action as aforesaid will in no way affect Annual Assessments for subsequent years.

(d) Billing of Annual Assessments.

The Annual Assessments will be billed monthly, quarterly, semi-annually or annually, as set by the Board, and will be due and payable on or before the last day of the month in which billed.

(e) Rounding.

All Annual Assessments charged by the Association will be rounded off to the nearest dollar.

(f) For Common Expenses.

The Common Expenses to be funded by the Annual Assessments may include, but will not necessarily be limited to, the following:

(i) amounts assessed against Owners and Units as the Association's pro rata costs and expenses discharging the Association's Common Responsibilities

(ii) management fees and expenses of administration, including legal and accounting fees;

(iii) utility charges for utilities serving the Common Areas and charges for other common services for the Development, including trash collection and security services, if any such services or charges are provided or paid by the Association;

(iv) the cost of any policies of insurance purchased for the benefit of all the Owners and the Association as required or permitted by this Declaration, including fire, flood, and other hazard coverage, public liability coverage, and other insurance coverage determined by the Board to be in the interests of the Association and the Owners;

(v) the expenses of maintenance, operation, and repair of those portions of the Common Areas which are the responsibility of the Association under the provisions of this Declaration;

(vi) the expenses of any architectural review board established to receive and administer the whole or any portion of the ARC functions transferred and conveyed to the Association, which are not defrayed by plan review charges;

(vii) ad valorem real and personal property taxes assessed and levied against the Common Areas;

(viii) assessments of any other owners association which by virtue of this Declaration or any agreement between the Association and any other owners association may be imposed on the Association or the Members of the Association for maintenance of any of the Common Areas and Limited Common Areas within the Property by the other association or for security or maintenance of roads, streets and other areas outside the bounds of the Property, including security installations and security personnel, if any, so long as the same benefits the Members of this Association;

(ix) such other expenses as may be determined from time to time by the Board of Directors to be Common Expenses, including, without limitation, taxes and governmental charges not separately assessed against Units; and

(x) the establishment and maintenance of a reasonable reserve fund or funds (A) for maintenance, repair, and replacement of those portions of the Common Areas which are the responsibility of the Association and which must be maintained, repaired, or replaced on a periodic basis, (B) to cover emergencies and repairs required as a result of casualties which are not funded by insurance proceeds, and (C) to cover unforeseen operating contingencies or deficiencies arising from unpaid Assessments or liens, as well as from emergency expenditures and other matters, all as may be authorized from time to time by the Board of Directors.

12.4 Determination of Default Budget and Default Annual Assessment.

Upon the failure of the Board of Directors to adopt a budget, or upon the disapproval of any budget pursuant to Section 12.3(a), the Default Budget and Default Annual Assessments will be the greater of:

(i) The then existing budget and Annual Assessments, increased in proportion to the percentage increase, if any, in the CPI-U from December of the preceding year to November of the then current year in which the said maximum budget and Annual Assessment is being determined, or by ten (10%) percent, whichever-is greater; or

(ii) The budget and Annual Assessments for the year in which this Declaration is filed Of Record by the Declarant, increased to the year in which the said maximum budget and Annual Assessment is being determined in proportion to the percentage increase, if any, in the CPI-U from December of the year preceding the year in which this

Declaration is filed Of Record to November of the year in which the said maximum budget and Annual Assessment is being determined, or by ten (10%) percent per annum, compounded, whichever is greater.

(b) Change in Default Amounts Upon Merger or Consolidation.

The limitations of this Section 12.4 will apply to any merger or consolidation in which the Association is authorized to participate under Section 2.3(c), and under the Bylaws of the Association.

12.5 Special Assessments.

In addition to the regular, Annual Assessments authorized by Section 12.3 hereof, the Association may levy Special Assessments, for the following purposes:

(a) Construction, reconstruction, unexpected repair or replacement of a damaged capital improvement upon the Common Areas, including the necessary fixtures and personal property related thereto as well as any insurance policy deductible if the damage is an insured loss;

(b) To provide for the unexpected and unbudgeted acquisition of necessary facilities and equipment required for the Association to offer the services authorized herein;

(c) To provide funding for such other extraordinary and. unbudgeted expenditures of the Association as the Board shall determine to be required for the efficient discharge of the Association duties and responsibilities hereunder, and which cannot, in the Board's reasonable judgment, be delayed until the next budget is prepared;

(d) To cover any shortfall, whether by way of deductible or otherwise, in insurance proceeds recovered; and

(e) To repay any loan made to the Association to enable it to perform the duties and functions authorized herein.

12.6 Special Assessments; Approval by Declarant and Disapproval by Members.

Except as otherwise permitted in Sections 9.2, 10.1 and 12.7 hereof, any Special Assessment will only be levied if: (A) during the Declarant Control Period the Declarant approves, in writing, such Special Assessment; and (B) the Special Assessment is not disapproved by sixty-seven percent (67%) or more of the votes of the entire Association at a special meeting of Members called therefor and held pursuant to the provisions of the Bylaws, which percentage will also constitute the quorum required for any such meeting.

(b) Apportionment.

Special Assessments will be apportioned among the Units, in the same manner as Annual Assessments.

12.7 Emergency Special Assessments: Unbudgeted Insurance Premium Increases.

In addition to the Annual Assessments authorized by Section 12.3 and the Special Assessment authorized by Section 12.5 hereof, the Association may levy Assessments for repairs, reconstruction, alterations or improvements due to emergencies of any type, as determined by the Declarant during the Declarant Control Period, and/or by the Board of Directors, in their sole discretion ("Emergency Special Assessment"). An Emergency Special Assessment may also be levied as herein provided to pay any unbudgeted insurance premium increases due and payable upon the renewal of any Association insurance during a fiscal period, sometimes referred to as an "insurance assessment." Any Emergency Special Assessment, including an insurance assessment, may be imposed without a vote of the Members. Emergency Special Assessments will be apportioned equally among the Units, in the same manner as Annual Assessments unless it is determined by the Declarant and/or Board that another apportionment thereof is more reasonable and more equitably justified by the circumstances giving rise to such emergency.

12.8 Declarant's and Initial Owner's Properties.

Anything contained herein to the contrary notwithstanding, the Declarant and Initial Owner will be exempt from the payment of Annual Assessments, Special Assessments and Emergency Special Assessments with respect to unimproved and/or unoccupied Units owned by the Declarant or Initial Owner and subject to this Declaration.

(a) Declarant's and Initial Owner's Reduction of Annual Assessment Payable by all other Owners.

So long as the Declarant or Initial Owner owns any Unit for sale or any portion of the Property upon which additional Units are to be developed and/or constructed, the Declarant may, but will not be obligated to, reduce the Annual Assessment for any year to be paid by Owners. The Declarant will fund any such reduction in the amount assessed against the Owner as a subsidy. Any such subsidy will, in the Declarant's sole discretion, be (A) a contribution to the Association, (B) a credit or advance against future Annual Assessments due from said Declarant, (C) in-kind services or (D) an interest-free loan to the Association. The amount and character (contribution, advance or loan) of such payment by the Declarant will be conspicuously disclosed as a line item in the budget and will be made known to the Owners. The payment of such a subsidy in any year will under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant. Any such subsidy payment by the Declarant may be made in-kind.

(b) Assignment of Declarant Rights and Obligations Under This Section 12.8.

The Declarant may assign all of its rights, subject to its covenants and obligations, under this Section 12.8 to any spec builder to which the Declarant conveys one or more Units to be constructed upon by such builder, said rights, covenants and obligations extending solely to the Units so conveyed by the Declarant to the builder and that are the subject

matter of any such permitted assignment. Any such assignment shall specifically set forth the formula, terms and conditions applicable to the builder's Assessment obligation.

12.9 Individual Specific Assessments.

(a) Specific Assessments Generally.

Any expenses incurred by the Association or the Declarant because of the actions of one or more Owners or Occupants, or because of their failure to act, and with respect to which such expenses are chargeable thereto and recoverable therefrom pursuant to any provision of this Declaration, including, but not limited to, recoverable expenses incurred as a result of work performed in behalf of an Owner, and any fines as may be imposed against an Owner in accordance with Article 13 hereof, will be specially assessed as a Specific Assessment against each such Owner and the Owner's Unit. Any Amenity Use Charge for which the Association has extended charge privileges will also constitute a Specific Assessment hereunder. In addition, in the event that a Specific Assessment is made for a judgment against the Association, then such Specific Assessment shall only be assessed against those who were Owners at the time the judgment was entered against the Association.

12.10 Effect of Nonpayment, Remedies of the Association.

An Assessment shall be due in full not later than the last day of the month in which the Assessment is billed, and any Assessment or portion thereof not paid within thirty (30) days after the due date shall be delinquent. Any delinquent Assessment will incur a late charge in an amount as may be determined by the Board from time to time, but not to exceed the greater of twenty dollars (\$20.00) per month or ten percent (10%) of the amount of the unpaid Assessment, and, upon adoption of a policy therefor by the Board of Directors, will also commence to accrue simple interest at the rate set by the Board of Directors from time to time, not to exceed eighteen percent (18%). A lien and equitable charge as herein provided for each Assessment installment shall attach simultaneously as the same will become due and payable, and if an Assessment installment has not been paid as aforesaid, the entire unpaid balance of the Assessment installments remaining to be paid during the fiscal year may be accelerated by the option of the Board and be declared due and payable in full. The continuing lien and equitable charge of such Assessment will include all costs of collection, including reasonable attorneys fees and court costs, subject to the provisions of N.C.G.S. 47F-3-116, subordinate only to liens for unpaid taxes, any Institutional Mortgage and any Mortgage held by the Declarant as provided in Section 12.2 above. No Owner may waive or otherwise escape liability for the Assessments provided for herein, including by way of illustration but not limitation, non-use of the Common Areas or abandonment of his Unit, and an Owner will remain personally liable for Assessments, including interest and late charges which accrue prior to a sale, transfer, or other conveyance of his Unit.

12.11 Certificate.

The Treasurer, any Assistant Treasurer, or the manager of the Association will, within ten (10) days of a written request and upon payment of a fee set from time to time by the Board of Directors, furnish to any Owner or such Owner's Mortgagee which requests the same, a

certificate signed by the Treasurer, Assistant Treasurer, or manager setting forth whether the Assessments for which such Owner is responsible have been paid, and, if not paid, the outstanding amount due and owing, together with all fines, accrued interest, and other penalty charges. Such certificate will be conclusive evidence against all but such Owner of payment of any Assessments stated therein to have been paid.

12.12 Date of Commencement of Assessments.

The Annual Assessments provided for herein shall commence as to all Units in the Development on the day of the conveyance of the first Unit improved with a dwelling to a purchaser (other than a successor Declarant) for use as a residence. The first assessment year shall be the period commencing on the date Annual Assessments commence and ending on the December 31 next following. The Annual Assessment for the first assessment year shall be prorated from the amounts fixed by the Board for a full twelve month year, based on the number of months to be contained in the first assessment year. Subsequent assessment years shall be each successive calendar year; provided, however, that at any time the Board may change the assessment year to correspond to a fiscal year selected by the Board. Assessments of Units within each phase of the Property which is annexed in accordance with the provisions of Section 2.3 shall commence on the day of the conveyance within such phase of the first Unit improved with a dwelling to a purchaser (other than a successor Declarant) for use as a residence.

Owners shall pay assessments in the manner and on the dates the Board establishes. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and may impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in annual, semiannual, quarterly or monthly installments. Unless the Board otherwise provides, the Annual Assessment shall be due and payable in four (4) quarterly installments. If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require that the outstanding balance on all assessments be paid in full immediately.

(a) Working Capital Collected At Initial Closing.

Notwithstanding anything to the contrary in this Declaration, a working capital fund will be established for the Association by collecting from each Owner who acquires title to his Unit from the Declarant a working capital amount equal to \$750.00 per Unit, which amount will be due and payable, and will be transferred to the Association, at the time of transfer of each Unit by the Declarant to any other Owner. Such sum is and will remain distinct from the Annual Assessment and Specific Assessment and will not be considered advance payment thereof. The working capital receipts may be used by the Association in covering operating expenses as well as any other expense incurred by the Association pursuant to this Declaration and the Bylaws.

12.13 Surplus Funds.

All funds paid into the Association by the Owners which remain after payment for common expenses, prepayment of reserves or any other expense, cost or fee defined herein shall

be paid to the Owners in proportion to their common expense liabilities or credited to them to reduce future assessments.

ARTICLE 13

RULE MAKING

13.1 Rules and Regulations.

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

(a) Approval of Declarant.

So long as the Declarant owns any of the Property or the Additional Property for development and sale (or has contractual rights to purchase any portion of the Property), no rule or regulation shall be adopted by the Board of Directors which would be binding upon the Owners of such Property to be developed by the Declarant without the prior written consent of the Declarant, including, but not limited to, and rule or regulation which would have the effect of discriminating against or in favor of one type of owner over another or of one type of tenant, lessee, renter or guest over another. Furthermore, the Board of Directors shall not without the prior written consent of the Declarant, modify any rule or regulation that may be imposed by the Declarant in any Supplemental Declaration that limits or restricts use of any Amenity to Owners and accompanied guests and prohibits use and access thereof by persons who may rent a Unit.

13.2 Authority and Enforcement.

Subject to the provisions of Section 13.3 hereof, upon the violation of this Declaration, the Bylaws, or any rules and regulations duly adopted hereunder, including, without limitation, the failure to timely pay any Assessments, the Board will have the power (A) to impose reasonable monetary fines not to exceed \$100.00 for each day more than five days after

decision that the violation occurs and suspension of the right to vote and to use any facilities within the Common Areas after notice and opportunity for a hearing which will constitute an equitable charge and a continuing lien as a Specific Assessment, (B) to suspend an Owner-Member's right to vote in the Association, (C) to suspend an Owner's or Occupant's right to use any of the Common Areas, or (D), in the case of a default in payment of any Assessment due, to suspend an Owner's or Occupant's cable TV service if such is provided by the Association or by a service provider under contract with the Association and for which payment thereunder is a Common Responsibility of the Association. The Board will have the power to impose all or any combination of these sanctions, and may establish each day a violation remains uncured as a separate violation for which a fine is due; provided, however, an Owner's access to its property. An Owner or Occupant will be subject to the foregoing sanctions in the event of such a violation by such Owner or Occupant. Any such suspension of rights may be for the duration of the infraction and for any additional period thereafter, not to exceed thirty (30) days.

13.3 Procedure.

Except with respect to the failure to pay Assessments, including late charges under Section 12.10 above, the Board will not suspend voting rights, or infringe upon or suspend any other rights of an Owner or other occupant of the Development for violations of the Declaration, Bylaws, ARC guidelines or any rules and regulations of the Association, or impose a fine in excess of \$100 per occurrence of the event or condition giving rise to the imposition of a fine for each day more than five (5) days after a decision is rendered following the hearing provided in Section 13.3(c), unless and until the following procedure is followed:

(a) Demand to Cease and Desist.

Written demand to cease and desist from an alleged violation will be served upon the Owner responsible for such violation specifying:

- (i) The alleged violation;
- (ii) The action required to abate the violation; and

(iii) A time period of not less than five (5) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the Bylaws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

(b) Notice of Hearing.

Within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs, the Board may serve such Owner with written notice, in accordance with Section 15.16 of a hearing to be held by the Board in executive session. The notice will contain:

- (i) The nature of the alleged violation;

(ii) The action required to abate the violation; and;

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

(c) Hearing.

The hearing will be held in executive session of the Board of Directors, adjudicated by a panel composed of Owners who are not officers or members of the Board, pursuant to the notice and will afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if the officer, director, or other individual who delivered such notice enters a copy of the notice together with a statement of the date and matter of delivery. The notice requirement will be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction imposed, if any. The decision of the adjudicatory panel shall be appealable to the full Board, whose decision shall be final.

ARTICLE 14

ALTERNATIVE DISPUTE RESOLUTION & LITIGATION

14.1 Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes.

The Declarant, Association, and Owners (collectively, the “Parties” and singularly, a “Party”), agree that any dispute, controversy or claim among them, including counterclaims and cross claims, whether based upon contract, tort, statute, common law or otherwise (collectively, a “Dispute”), arising from or relating directly or indirectly to the Declaration or the Development, including, without limitation, the interpretation, application or enforcement of the Declaration, the Association’s Articles of Incorporation or Bylaws, except for “Exempt Claims” under Section 14.2, are subject to arbitration, as defined under North Carolina law and the Federal Arbitration Act, in lieu of civil proceedings and governed by the procedures set forth in Section 14.3, to which the Parties agree to be bound.

14.2 Exempt Claims.

The following Claims (“Exempt Claims”) are exempt from the provisions of Section 14.3:

(a) any suit by the Association against a bound Party to enforce any Assessments or other charges hereunder;

(b) any suit against a Party bound by the provisions of this Declaration to enforce the architectural review and approval requirements and processes under Article 4 above.

(c) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and other relief the court may deem necessary in order to maintain the status quo and preserve any enforcement power of the Association hereunder until the matter may be resolved on the merits pursuant to Section 14.3 below;

(d) any suit between Owners which does not include the Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Declaration and the Development;

(e) any suit which otherwise would be barred by any applicable statute of limitation; and

(f) any suit involving a matter that is not an Exempt Claim under sub-Sections (a) through (e) above, but as to which matter the Party against whom the Claim is made waives the mandatory provisions of Section 14.3 below.

Any Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section 14.3, but there is no obligation to do so.

14.3 Mandatory Procedures for Non-Exempt Claims.

(a) Parties to be Joined.

The Parties agree to arbitrate all Disputes with each other and with any other person or entity to the extent any or all such other persons and entities have agreed to participate in and be subject to arbitration of all Disputes.

(b) Mediation.

Prior to arbitration, if the Dispute cannot be settled through direct discussions, the Parties shall endeavor to resolve the Dispute between themselves, by participating in mediation before a mediator mutually agreed upon by the Parties.

(c) Arbitration.

Any Dispute that cannot be settled by negotiation or mediation shall be settled by binding arbitration before a single arbitrator, mutually agreed upon by the Parties, who is an attorney with substantial experience in the subject matter of the Dispute. Arbitration will be governed by the commercial arbitration rules of the American Arbitration Association (AAA), but will not be administered by the AAA unless the Parties so agree.

(d) The Arbitrator.

If the Parties cannot agree on a single arbitrator, each Party will pick an arbitrator who is an attorney with substantial experience in the subject matter of the Dispute.

Those two arbitrators will then pick a third arbitrator who is an attorney with substantial experience in the subject matter of the Dispute, and the panel of three (3) arbitrators will decide the arbitration. If there is an impasse in the selection of arbitrators, any Party may make a motion to compel arbitration with the court of competent jurisdiction for Wake County, North Carolina and ask the court to resolve the selection of arbitrators.

(e) Arbitrability.

The issue of whether or not a Dispute is within the scope of this arbitration requirement (or "arbitrability") will be decided by an arbitrator or arbitrators selected pursuant to the terms of this Article 14.

(f) Situs of Mediation and Arbitration, Costs and Expenses of Mediation.

All mediation and arbitration proceedings will be conducted in Wake County, North Carolina. The participating Parties shall share the costs and expenses of mediation and arbitration, other than the Parties' respective legal fees, equally.

(g) Judgment on the Award.

Judgment on the award rendered by the arbitrator(s) shall be final and binding, shall not be appealable, and may be entered in any court having jurisdiction, as provided in the applicable state and federal statutes.

14.4 Litigation.

No judicial or administrative proceeding with an amount in controversy exceeding \$25,000.00, will be commenced or prosecuted by the Association unless approved by 75% or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members called for the purpose of approving the proceeding, which percentage will also constitute the quorum required for any such meeting. This Section will not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitations, the foreclosure of liens); (b) the imposition and collection of Assessments; (c) proceedings involving challenges to ad valorem taxation; (d) counterclaims brought by the Association in proceedings instituted against it; or (e) actions brought by the Association to enforce written contracts with its suppliers and service providers. This Section will not be amended unless the amendment is approved by the requisite percentage of votes of Members, and pursuant to the same procedures, necessary to institute proceedings as provided above. This provision will apply in addition to the alternative dispute resolution provisions of this Article 14, if applicable.

14.5 Miscellaneous Alternative Dispute Resolution Provisions.

(a) Conflicting Provisions.

Any conflict or discrepancy between the terms and conditions set forth in this Article 14 and any term, condition or procedure of the American Arbitration Association, or

any remedy allowed at law or in equity, the terms, conditions, procedures and remedies set forth herein will control.

(b) TIME IS OF ESSENCE.

All periods of time set forth herein or calculated pursuant to provisions of this Article 14 will be strictly adhered to, TIME BEING OF THE ESSENCE hereof.

ARTICLE 15

GENERAL PROVISIONS

15.1 Control of Declarant.

Notwithstanding any other language or provision to the contrary in this Declaration, in the Articles of Incorporation, or in the Bylaws of the Association, the Declarant hereby retains for the duration of the Declarant Control Period the right to appoint and remove any member or members of the Board of Directors and any officer or officers of the Association. Every grantee of any interest in the Development, by acceptance of a deed or other conveyance of such interest, agrees that the Declarant will have the authority to appoint and remove directors and land officers of the Association in accordance with the foregoing provisions of this Section 15.1. The provisions of this Section 15.1 are supplemental to, and not in substitution of, other rights retained by the Declarant pursuant to this Declaration.

(a) Voting Agreement and Proxy.

By acceptance of a deed or other conveyance of a real estate interest subject hereto, an Owner-Member does hereby grant, and if further required, does agree to vote in a manner to provide, to the Declarant all voting rights and other corporate powers specifically reserved to and designated for the Declarant under this Declaration. **IN CONNECTION WITH THIS VOTING AGREEMENT, EACH MEMBER APPOINTS THE DECLARANT AS PROXY FOR SUCH MEMBER WITH FULL POWER OF SUBSTITUTION TO VOTE FOR THE MEMBER ON ALL SUCH MATTERS ON WHICH THE MEMBER MAY BE ENTITLED TO VOTE, AND WITH RESPECT TO WHICH THERE IS A RESERVATION OR DESIGNATION OF VOTING RIGHTS IN THE DECLARANT UNDER THIS DECLARATION, AND WITH ALL POWERS WHICH THE MEMBER WOULD POSSESS IF PERSONALLY PRESENT AT ANY MEETING OF MEMBERS. SUCH APPOINTMENT WILL BE, UPON A MEMBER'S ACCEPTANCE OF A DEED OR OTHER CONVEYANCE AND WITHOUT THE NECESSITY OF FURTHER ACTION BY THE DECLARANT OR THE MEMBER, A POWER COUPLED WITH AN INTEREST AND IRREVOCABLE.** Such appointment will be effective as of the date on which a deed or other conveyance of an interest to the Owner-Member is filed Of Record. This irrevocable proxy will automatically terminate on the date the Declarant's voting rights as a Class B Member terminate. The within voting agreement and proxy are in addition to, and not in substitution of, all rights of the Declarant herein provided, which will run with the Property.

Notwithstanding the generality of the foregoing, Declarant may not act under any such power of attorney or proxy, or use any other device, to evade any limitations or prohibitions of the North Carolina Planned Community Act, this Declaration, or the Bylaws of the Association, and any attempt to do so shall be null and void *ab initio*.

(b) Creation of New Board.

Upon the expiration of the Declarant Control Period, election of the Board will pass to the Owners as provided in the Bylaws. Following election of a new Board of Directors, the Declarant will deliver all books, accounts, and records, if any, which the Declarant has kept on behalf of the Association and any agreements or contracts executed by or on behalf of the Association during such period and which the Declarant has in its possession.

15.2 Amendments by Declarant.

During the Declarant Control Period, without the approval of any Owner or Owners other than Declarant, Declarant shall have the unilateral right, in its sole and absolute discretion, to make any amendments or modifications hereto which Declarant deems necessary or desirable, including, without limitation, amendments or modifications to any procedural, administrative or substantive provisions of this Declaration by an instrument in writing filed Of Record. Any action to challenge the validity of an amendment adopted under this Section 15.2(a) must be brought within one (1) year of the amendment's effective date. No action to challenge any such amendment may be brought after such time.

15.3 Amendments by the Association.

Amendments to this Declaration, other than those authorized by Section 15.2 hereof, will be proposed and adopted in the following manner:

(a) Notice of the subject matter of the proposed amendment will be included in the notice of the meeting of the Association at which such proposed amendment is to be considered and will be delivered to each Member of the Association.

(b) At such meeting, a resolution adopting a proposed amendment may be proposed by either the Board of Directors or Members of the Association. Such amendment must be approved by sixty-seven percent (67%) or more of the votes of the entire Association, by Referendum or at a duly held meeting of Members called for the purpose of approving a proposed amendment, which percentage will also constitute the quorum required for any such meeting; provided, however, (i) that any amendment which materially and adversely affects the security title and interest of any Mortgagee must be approved by such Mortgagee; (ii) during the Declarant Control Period, such amendment must be approved by the Declarant; and (iii) in the event that such amendment also is an amendment to the Bylaws, the amendment will be adopted pursuant to the applicable procedures of the Nonprofit Corporation Act.

(c) The agreement of the required percentage of the Owners and, where required, the Declarant and any Mortgagee, to any amendment of this Declaration pursuant to this Section 15.3 will be evidenced by their execution of such amendment, or, in the alternative,

the sworn statement of the President of the Association attached to or incorporated in the amendment executed by the Association, which sworn statement will state unequivocally that the agreement of the required parties was lawfully obtained. Any such amendment of this Declaration will become effective only when filed Of Record or at such later date as may be specified in the amendment itself.

Anything contained in this Section 15.3 to the contrary notwithstanding, no amendment under this Declaration shall be made, or any vote therefor effective, if the result or effect thereof would have a material adverse effect upon the Declarant or any right, limitation, approval or easement of the Declarant without the prior written approval of the Declarant.

15.4 Duration.

This Declaration shall remain in force until terminated by the affirmative vote of ninety percent (90%) of the Members of the Association.

15.5 Termination of the Association.

In the event that this Declaration is declared to be void, invalid, illegal, or unenforceable in its entirety, or in such a significant manner that the Association is not able to function substantially as contemplated by the terms hereof, for any reason, by the adjudication of any court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, and such adjudication occurs within ten (10) years following the date of recording this Declaration, all Common Area belonging to the Association at the time of such adjudication will revert to the Declarant, and the Declarant will own and operate said Common Areas as Trustee for use and benefit of Owners within the Property as set forth below. If said adjudication will occur on a date more than ten (10) years after the date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for in Section 15.4, all Common Areas owned by the Association at such time will be transferred to a properly appointed Trustee, which Trustee will own and operate said Common Areas for the use and benefit of Owners within the Property as set forth below:

(a) Each Unit, parcel or tract of land located within the Property will be subject to an Annual Assessment which will be paid by the Owner thereof to the Declarant or Trustee, whichever becomes the successor in title to the Association. The amount of such Annual Assessment and its due date will be determined solely by the Declarant or the Trustee, as the case may be, but the amount of such Annual Assessment on any particular lot, parcel or tract of land will not exceed the amount actually assessed against that lot, parcel or tract of land in the last year that Assessments were levied by the Association, subject to the adjustment set forth in subparagraph (b) immediately below.

(b) The rate of the Annual Assessment which may be charged by the Declarant or Trustee hereunder on any particular lot or parcel may be automatically increased each year by either five (5%) percent or the percentage increase between the first month and the last month of the Annual Assessment period in the CP1-U issued by the U.S. Bureau of Labor Statistics in its monthly report, whichever of these two percentage figures is larger. The actual amount of such increase in the regular Annual Assessment on a parcel will equal the regular

Annual Assessment on such lot or parcel for the previous year multiplied by the larger of the two percentage factors set forth above. If the CPI-U is discontinued, then there will be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living.

(c) Any past due Annual Assessment together with interest thereon at the greater of fifteen (15%) percent or the maximum annual rate permitted by law from the due date and all costs of collection including reasonable attorney's fees will be a personal obligation of the Owner at the time that the Annual Assessment becomes past due, and it will also constitute and become a charge and continuing lien on the lot or parcel of land and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(d) The Declarant, or the Trustee, as the case may be, will be required to use the funds collected as Annual Assessments for the operation, maintenance, repair and upkeep of the Common Areas. The Declarant or the Trustee may charge as part of the cost of such functions the reasonable value of its services in carrying out the duties herein provided. Neither the Declarant nor the Trustee will have the obligations to provide for operation, maintenance, repair and upkeep of the Common Areas once the funds provided by the Annual Assessment have been exhausted.

(e) The Declarant will have the right to convey title to the Common Areas and to assign its rights and duties hereunder, provided that the transferee accepts such properties subject to the limitations and uses imposed hereby and affirmatively acknowledges its acceptance of the duties imposed hereby.

(f) The Trustee will have the power to dispose of the Common Areas, free and clear of the limitations imposed hereby; provided, however, that such disposition will first be approved in writing by fifty-one (51%) percent of the Owners of Property within the Property or in the alternative will be found, in the exercise of reasonable business judgment, to be in the best interest of the Owners of property within the Property. The proceeds of such a sale will first be used for the payment of any debts or obligations constituting a lien on the Common Areas, then for the payment of any obligations incurred by the Trustee in the operation, maintenance, repair and upkeep of such Property, then for the payment of any obligations distributed among the Owners of property within the Development, exclusive of the Trustees, in a proportion equal to the portion that the Default Annual Assessment on property owned by a particular Owner bears to the total Default Annual Assessment for all property located within the Property.

15.6 Perpetuities.

If any of the covenants, conditions, restrictions, or other provisions of this Declaration will be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions will continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

15.7 Interpretation.

In all cases, the provisions set forth or provided for in this Declaration will be construed together and given that interpretation or construction which, in the opinion of the Declarant or the Board of Directors will best effect the intent of the general plan of development. The provisions hereof will be liberally interpreted and, if necessary, they will be so extended or enlarged by implication as to make them fully effective. The provisions of this Declaration will be given full force and effect notwithstanding the existence of any zoning ordinance or building codes that are less restrictive. The effective date of this Declaration will be the date of its filing Of Record. The captions of each Article and Section hereof as to the contents of each Article and Section are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer. This Declaration will be construed under and in accordance with the laws of the State of North Carolina.

15.8 Indemnification of Owners.

No immunity, exculpation or indemnification provision of the Declaration, the Articles of Incorporation, the Bylaws, the Association's rules and regulations or any other governance document shall relieve an Owner from liability as an Owner under such documents.

15.9 No Affirmative Obligation Unless Stated.

ANY RESERVATION OR RIGHT OF THE DECLARANT WHICH IS STATED IN OR IMPLIED FROM THIS DECLARATION WILL NOT GIVE RISE TO ANY AFFIRMATIVE OBLIGATION OR DUTY ON THE PART OF THE DECLARANT UNLESS EXPRESSLY STATED IN THIS DECLARATION.

15.10 No Implied Liabilities or Duties.

ANY RULES OR REGULATIONS ESTABLISHED BY THE DECLARANT PURSUANT TO THIS DECLARATION WILL NOT EXPRESSLY OR IMPLIEDLY CREATE ANY DUTY OF CARE TO ANY PROPERTY OWNER.

15.11 Gender and Grammar.

The singular wherever used herein will be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other entities or to individuals, men or women, will in all cases be assumed as though in each case fully expressed.

15.12 Severability.

Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any person or to any property will be prohibited or held invalid, such prohibition or invalidity will not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and to this end the provisions of this Declaration are declared to be severable.

15.13 Rights of Third Parties.

This Declaration will be filed Of Record for the benefit of the Declarant, the Owners, and their Mortgagees as herein provided, and by such recording, no adjoining property owner or third party will have any right, title or interest whatsoever in the Development, except as provided herein, or in the operation or continuation thereof or in the enforcement of any of the provisions hereof, and, subject to the rights of the Declarant and Mortgagees as herein provided, the Owners will have the right to extend, modify, amend, or otherwise change the provisions of this Declaration without the consent, permission, or approval of any adjoining owner or third party.

15.14 Notice of Sale, Lease, or Mortgage.

In the event an Owner sells, leases, mortgages, or otherwise disposes of any Unit, the Owner must promptly furnish to the Association in writing the name and address of such purchaser, lessee, mortgagee, or transferee.

15.15 No Trespass.

Whenever the Association, the Declarant, or the ARC are permitted by this Declaration to enter upon, correct, repair, clean, maintain, preserve, or do any other action within any portion of the Development, the entering thereon and the taking of such action will not deem to be trespass.

15.16 Notices.

Notices required hereunder will be in writing and will be delivered by hand or sent by United States Mail, postage prepaid. All notices to Owners will be delivered or sent to such addresses as have been designated in writing to the Association, or if no address has been so designated, at the addresses of such Owners' respective Units. All notices to the Association will be delivered or sent in care of the Declarant to 5711 Six Forks Road, Suite 300, Raleigh, NC 27609, or to such other address as the Association may from time to time notify the Owners. All notices to the Declarant will be delivered or sent to 5711 Six Forks Road, Suite 300, Raleigh, NC 27609, or to such other address as the Declarant may from time to time notify the Association. Notices to Mortgagees will be delivered or sent to such addresses as such Mortgagees specify in writing to the Association. Notices to any other person or persons entitled to same hereunder will be delivered or sent to such address or addresses as such person or persons specify, from time to time, in writing to the sender, or, in the absence thereof, to such address or addresses as will, in the exercise of reasonable judgment by the sender, reasonably expected to be received by such person or persons.

15.17 Initial Owner.

Initial Owner and Declarant entered into that certain Option Agreement dated November 15, 2013, as amended from time to time, pursuant to which Declarant is obligated to purchase from Initial Owner and Initial Owner is obligated to convey to Declarant residential lots within the Property ("Option Agreement"). In addition, Initial Owner and Declarant entered into that

certain Construction Agreement dated November 15, 2013, as amended from time to time ("Construction Agreement" and together with the Option Agreement, the "Subdivision Agreements"), pursuant to which Declarant is required to complete certain improvements on the Property to establish a residential subdivision. Initial Owner, the fee simple owner of the Property, recognizing the benefits to it and the Property which will result from the orderly development of the Property pursuant to and in accordance with the Subdivision Agreements and this Declaration, joins in this Declaration: (i) for the purpose of consenting to the terms and provisions hereof; (ii) for the purpose of subjecting its fee simple interest in the Property to this Declaration and each of the terms and provisions hereof; and (iii) for the purpose of assigning, granting, and otherwise transferring to Declarant all property rights and obligations with respect to the management and development of the Property as may be set forth in this Declaration, including, without limitation, the right to declare, establish, grant, and otherwise create the property rights set forth in this Declaration.

And, to effect the foregoing, Initial Owner, for itself and its successors and assigns, has and by these presents does hereby subject its fee simple interest in the Property to this Declaration and each and all of the terms and provisions hereof and Initial Owner for itself and its successors and assigns, does hereby covenant, agree, and declare to Declarant, each and every Owner, the Association, and all other persons or entities that the Property shall, at all times, be owned, held, used and occupied subject to the provisions of this Declaration, to the covenants, conditions and restrictions contained herein, and to all amendments and supplements hereto. Furthermore, Initial Owner has and by these presents does hereby assign, grant, and otherwise transfer to Declarant all property rights and obligations with respect to the management and development of the Property as may be set forth in this Declaration, including, without limitation, the right to declare, establish, grant, and otherwise create the property rights set forth in this Declaration, which property rights, upon their creation by Declarant shall become appurtenant to and a part of the Property, subject, however, to the terms and provisions of this Declaration. The rights, powers, duties, and authority which are granted to and placed with Declarant as developer of the Property as set forth in this Declaration are irrevocable and coupled with an interest, except as specifically stated in this Declaration, and the exercise thereof by Declarant shall in all respects be binding upon the Initial Owner without any further or additional consent by the Initial Owner, subject, however, to any limitations specifically set forth in this Declaration. Notwithstanding the foregoing, in the event of an uncured default by Declarant under the Subdivision Agreements, Declarant shall assign all Declarant rights under this Declaration to the Initial Owner and Initial Owner shall assume all such Declarant rights under this Declaration, provided, however, Declarant shall retain all such special Declarant rights related to the Lots Declarant owns as of the date of such assignment, including, without limitation, all rights with respect to architectural control as provided in Article 4 and all rights and easements reserved for the benefit of Declarant to allow Declarant to construct and market the improvements upon such Lots for sale to third parties.

ARTICLE 16

ZONING CONDITIONS

16.1 Zoning Conditions.

These following covenants, conditions and restrictions memorialize the zoning conditions applicable to the Property as set forth in the rezoning ordinance applicable to the Property (Town of Cary File No. 12-REZ-24) and in that certain Agreement for Rezoning and Roadway Improvements dated November 14, 2012, by and between Declarant and Grenadier Homeowners Association, Inc. and in that certain Agreement for Restrictions on Development of Jones Farm Property Adjacent to Specific Lots on Chaumont Drive dated October 9, 2013, by and among Declarant and the property owners residing at 4021, 4025, 4029 and 4037 Chaumont Drive, Apex, NC (the "Restriction Agreements") (collectively, the "Zoning Conditions"). Such Zoning Conditions encumber the Property and the buffer areas as established will constitute areas of Common Responsibility:

(a) The maximum gross density shall be 2.1 Units per acre.

(b) Open Space Area 'A': An area of approximately 0.54 acres of open space shall be provided adjacent to parcels 0760-18-9439, 0760-18-9430, 0760-18-9321 and shown as Open Space Area 'A' on Schedule 1 attached hereto. This area shall be undisturbed with the exception of disturbances as allowed by the Town Code.

(c) Open Space Area 'B': An area of approximately 6.46 acres of open space shall be provided adjacent to parcels 0760-48-5995, 0760-48-7975, 0760-48-9806, 0760-58-0143, 0760-47-9589, 0760-47-6551 and shown as Open Space Area 'B' on Schedule 1 attached hereto. This area shall be undisturbed with the exception of disturbances as allowed by the Town Code.

(d) As shown on Schedule 1, a perimeter 30-foot wide Type 'B' Buffer will be provided as follows:

(i) Property Line A – full length of property line

(ii) Property Line B – full length of property line

(iii) Property Line C – From the western end of Property Line C to the western edge of the right-of-way of the existing Chaumont Drive stub road, then continuing along Property Line C to a point 400 feet west of the eastern edge of the right-of-way of the existing Chaumont Drive stub road.

(iv) Property Line D – From the western end of Property Line D to the western edge of the right-of-way of the existing Belnap Drive stub road, then continuing along Property Line D to a point 780 feet west of the eastern edge of the right-of-way of the existing Belnap Drive stub road.

(e) A common open space area will be provided within 50' of Property Line A, Property Line B, Property Line C, Property Line D and Property Line E as shown on Schedule 1.

(f) Within the 30' perimeter buffer as shown on Schedule 1, Declarant shall preserve all existing vegetation. In the event there is no existing vegetation, Declarant shall construct and the Association shall have an easement across such property to maintain landscape berms and planting materials required to achieve a Type 'B' opaque buffer as follows:

(i) Within the 30' perimeter buffer adjacent to 4021 and 4025 Chaumont Drive, Declarant shall construct a six (6) foot tall landscape berm in the area where there is no vegetation.

(ii) Within the 50' perimeter buffer adjacent to 4037 Chaumont Drive, Declarant shall construct a six (6) to eight (8) foot tall landscape berm in the area where there is no vegetation.

(iii) Within the 50' perimeter buffer adjacent to 4036 Chaumont Drive, Declarant shall construct a six (6) to eight (8) foot tall landscape berm in the area where there is no vegetation.

(g) For the Units located at 8125 Rosiere Drive and 8128 Rosiere Drive, Declarant shall provide: (A) a 50' wide open space area that will include a custom Type 'B' opaque continuous evergreen buffer along the entire length of the common property line between such Units; (B) within the 50' buffer, Declarant shall construct a 6 to 8 feet high, 30 foot wide rolling landscape berm that shall run the entire length of the property line; and (C) the residences constructed on the Units adjacent to 8125 Rosiere Drive and 8128 Rosiere Drive will be built with the side of such residences adjacent to the buffer and the front of the such residences will be placed far enough behind the curb to provide a harmonious transition to the Grenadier subdivision, regardless of the required setback and no street lamps shall be placed on such Units.

(h) Adjacent to the lots on 4021 and 4025 Chaumont Drive, Declarant shall construct a landscape berm. The berm shall be situated as far away from the property lines of 4021 and 4025 Chaumont Drive as practicable and at least 8 feet in height or as tall as is practicable to provide a moderately opaque type B buffer to opaque type A buffer. The berm shall be planted with plants and trees to provide the said opaqueness and Declarant agrees to consult in good faith with the residents of 4021 and 4025 Chaumont Drive regarding the placement of the berm; the height of the berm; and the placement of plantings thereupon prior to construction and to construct the berm in consideration and in good faith of said consult.

(i) Adjacent to the back (generally western-most) property lines of the lots on 4033 and 4037 Chaumont Drive, Declarant agrees that the distances and dimensions shall be constructed, preserved or otherwise made to be as represented in the attached Schedule 2 such that: 1) the distance from the back property lines of 4033 and 4037 Chaumont Drive to any adjacent lot line(s) of any Unit, represented as "Lot line" in Schedule 2 is as represented; 2) that the distance from the back property lines of 4033 and 4037 Chaumont Drive to any residence, represented as "U" in Schedule 2 situated on such an adjacent Unit is as represented; and 3) that the dimensions of the Common Area space adjacent to the back property lines of 4033 and 4037 Chaumont Drive is as represented approximately in Schedule 2; unless the distances and dimensions shall be greater than represented therein. Within the area designated "Common Open

Space” on Schedule 2, Declarant shall provide and the Association shall maintain a thirty foot Type B opaque buffer.

(j) The residence constructed on the Unit that is adjacent to Chaumont Drive and also adjacent to 4037 Chaumont Drive, Apex, NC shall be built with the front of the residence facing Chaumont Drive and shall have the driveway situated such that it extends to Chaumont Drive from a side of the residence wherein such side is not facing 4037 Chaumont Drive, Apex, NC.

(k) Adjacent to the southern-most property line of 4037 Chaumont Drive, Apex, NC, Declarant shall construct a berm. The berm shall be situated as far away from the property line of 4037 Chaumont Drive as practicable taking into consideration the preservation of the root system of established trees in close proximity to the property line; the berm shall be at least 8 feet in height or as tall as is practicable to provide a moderately opaque type B buffer to opaque type A buffer. The berm shall be planted with plants and trees to provide the said opaqueness and Declarant agrees to consult in good faith with the resident of 4037 Chaumont Drive regarding the placement of the berm; the height of the berm; and the placement of plantings there upon prior to construction and to construct the berm in consideration and in good faith of said consult.

(l) In the event a retention pond is constructed on the Property adjacent to 4021 and 4025 Chaumont Drive, the Association shall treat such retention pond quarterly for insects and shall use commercially reasonable efforts to ensure that such treatment will not affect the well water used by the residents of the adjacent Grenadier subdivision.

(m) Unless required by the Town, no walking trails or any other amenity will be constructed on the portion of the Property immediately adjacent to 4021 and 4025 Chaumont Drive.

(n) In connection with the installation of the 30’ Buffer, Declarant shall remove any dead or diseased trees located within the 30’ Buffer that Declarant reasonably believes could fall on the adjacent property located within the Grenadier subdivision. Declarant’s obligation to remove such dead or diseased trees shall include cutting such trees to the stump and leaving the stumps in place.

Notwithstanding anything to the contrary in this Declaration, the Zoning Conditions established by the Restriction Agreements may only be amended with the consent of Declarant and the requisite parties to the Restriction Agreements. To the extent that there are conflicts with regard to a condition or restriction, the condition or restriction which is most restrictive to the Property shall apply, provided that any conditions or restrictions imposed by the Town shall not be adversely affected by this rule of construction.

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IN WITNESS WHEREOF, the undersigned Declarant herein has caused this instrument to be executed this 31 day of October, 2014.

ASHTON RALEIGH RESIDENTIAL L.L.C.
a North Carolina limited liability company

By: [Signature]
Name: WILLIAM J. McSHEA JR.
Title: CONTROLLER, VP OF FINANCE

Wake County, North Carolina

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Controller / VP of Finance
William J. McShea, Jr.

My Commission Expires:
9.24.16

Notary Public
Print Name: Mary Hill Herold

[Affix Notary Stamp or Seal]

MARY HILL HEROLD
NOTARY PUBLIC
WAKE COUNTY, NC
My Commission Expires 9-24-2016

IN WITNESS WHEREOF, the undersigned Initial Owner herein has caused this instrument to be executed this 10th day of October, 2014.

CW-JONES, LLC.

a Delaware limited liability company

By: [Signature]
Name: John Cork
Title: Mgr.
Maricopa County, Arizona

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: John Cork.

My Commission Expires:

[Signature] June 30, 2015
Notary Public
Print Name: Monica Suero-Ponce

[Affix Notary Stamp or Seal]




CONSENT AND SUBORDINATION OF LENDER

FIRST CONTINENTAL INVESTMENT CO., LTD., a Texas limited partnership ("First Lender"), being the Beneficiary under that certain Deed of Trust and Security Agreement (the "First Deed of Trust") from Initial Owner to The Fidelity Company, a North Carolina corporation, as Trustee, recorded in Book 15509 at Page 935 in the Wake County Registry does hereby consent to the recordation of the foregoing Declaration of Covenants, Conditions and Restrictions for Kildaire Crossing (the "Declaration") and to the terms and provisions thereof; and First Lender does hereby consent to the subordination of the lien of the Deed of Trust to the provisions of the Declaration. The execution of this Consent and Subordination of Lender by First Lender shall not be deemed or construed to have the effect of creating between First Lender, Declarant and Initial Owner the relationship of partnership or of joint venture nor shall anything contained hereunder be deemed to impose upon First Lender any of the liabilities, duties or obligations of Declarant or Initial Owner under the Declaration. First Lender executes this Consent and Subordination of Mortgagee solely for the purposes set forth herein.

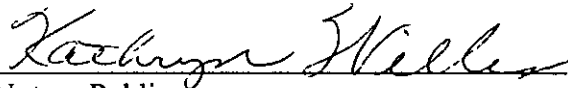
IN WITNESS WHEREOF, the undersigned has executed and delivered this Consent and Subordination of Lender as of the 8th day of October, 2014.

FIRST CONTINENTAL INVESTMENT CO., LTD.,
a Texas limited partnership

By: 
Name: Todd Aiken
Title: Executive Vice President

Harris County, Texas

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Todd Aiken.

My Commission Expires: 04/01/2018

Notary Public
Print Name: Kathryn Willis

[Affix Notary Stamp or Seal]



CONSENT AND SUBORDINATION OF LENDER

CWI INVESTOR HOLDINGS TWO, LLC, a Florida limited liability company ("Second Lender"), being the Beneficiary under that certain North Carolina Deed of Trust (the "Second Deed of Trust") from Initial Owner to Cheryl D. Steele, Esq., as Trustee, recorded in Book 15509 at Page 993 in the Wake County Registry does hereby consent to the recordation of the foregoing Declaration of Covenants, Conditions and Restrictions for Kildaire Crossing (the "Declaration") and to the terms and provisions thereof; and Second Lender does hereby consent to the subordination of the lien of the Deed of Trust to the provisions of the Declaration. The execution of this Consent and Subordination of Lender by Second Lender shall not be deemed or construed to have the effect of creating between Second Lender, Declarant and Initial Owner the relationship of partnership or of joint venture nor shall anything contained hereunder be deemed to impose upon Second Lender any of the liabilities, duties or obligations of Declarant or Initial Owner under the Declaration. Second Lender executes this Consent and Subordination of Mortgagee solely for the purposes set forth herein.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Consent and Subordination of Lender as of the 10th day of October, 2014.

CWI INVESTOR HOLDINGS TWO, LLC,
a Florida limited liability company

By: [Signature]
Name: PETER GOLD
Title: Manager

Maricopa County, Arizona

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Peter Gold.

My Commission Expires:
June 30, 2015

Monica Suero Ponce
Notary Public
Print Name: Monica Suero Ponce

[Affix Notary Stamp or Seal]

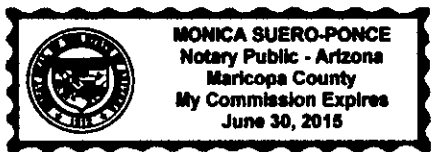


EXHIBIT A

Tract 1

Beginning at a Parker Kalon Nail in the center line of Arthur Pierce Road; thence leaving the centerline of said road N 01°58'46" E a distance of 305.79 feet to iron pipe on the common line of Stonebridge Subdivision and the Jones Family Farm LLC property; thence continuing with said line N 01°55'10" E a distance of 240.94 feet to an iron pipe at the intersection of the common property line of Grendadier Subdivision; thence with said common line N 85°17'17" E a distance of 1036.94 feet to a point; thence with said common line N 89°48'17" E a distance of 619.05 feet to an iron pipe at a point in the common line of Stephen D. Simpson; thence with said common line S 04°02'27" W a distance of 528.80 feet to a point; thence N 89°00'04" E a distance of 1312.18 feet to an iron pipe at the intersection of the common line of Wren Meadows Subdivision; thence with said common line S 03°12'01" W a distance of 1021.15 feet to an iron pipe at the intersection of the common property line of Oak Chase Subdivision; thence with said common line N 89°11'57" W a distance of 44.00 feet to an iron pipe at the intersection of the common property line of Hillcrest Subdivision; thence with said common line S 88°34'04" W a distance of 1269.74 feet to an iron pipe at the intersection of the common property line of H. Arthur Swicegood and Marie Swicegood; thence with said common line and with the common line of 3500 Arthur Pierce LLC N 03°21'14" E a distance of 671.70 feet to an iron pipe at the intersection of the common property line of Stephen R. Thomas; thence with said common line N 03°21'14" E a distance of 124.99 feet to a point; thence S 75°26'11" W a distance of 485.73 feet to an iron pipe at the intersection of the common property line of 3500 Arthur Pierce LLC; thence with said common line S 75°26'11" W a distance of 310.87 feet to a point; thence crossing the right of way of Arthur Pierce Road N 82°33'49" W a distance of 865.00 feet to a point at the intersection of the common property line of the Cotswald Subdivision; thence with said common line N 01°46'23" E a distance of 214.73 feet to a Parker Kalon Nail in the center of Arthur Pierce Road; being is the Point of Beginning, Containing 2,738,033 square feet, or 62.857 acres more or less.

Tract 2

Commencing at a Parker Kalon Nail in the Centerline of Arthur Pierce Road; thence S 01°46'23" W a distance of 214.73 feet to a point, thence S 82°33'49" E a distance of 865.00 feet to a point; thence N 75°26'11" E a distance of 310.87 feet to an iron pipe at the intersection of the common property line of 3500 Arthur Pierce LLC and Jones Family Farm LLC being the Point of Beginning; thence with the common property line of Jones Family Farms LLC N 75°26'11" E a distance of 485.73 feet to a point; thence S 03°21'14" W a distance of 124.99 feet to an iron pipe at the intersection of the common property line of 3500 Arthur Pierce LLC; thence with said common line thence S 75°26'18" W a distance of 485.79 feet to an iron pipe; N 03°20'31" E a distance of 124.97 feet to an iron pipe; being the Point of Beginning, Containing 57,761 square feet or 1.326 acres more or less.

SCHEDULE 1

[see attached]

**WAKE COUNTY
REGISTER OF DEEDS
ADDED FOR SCANNING
PURPOSE ONLY**

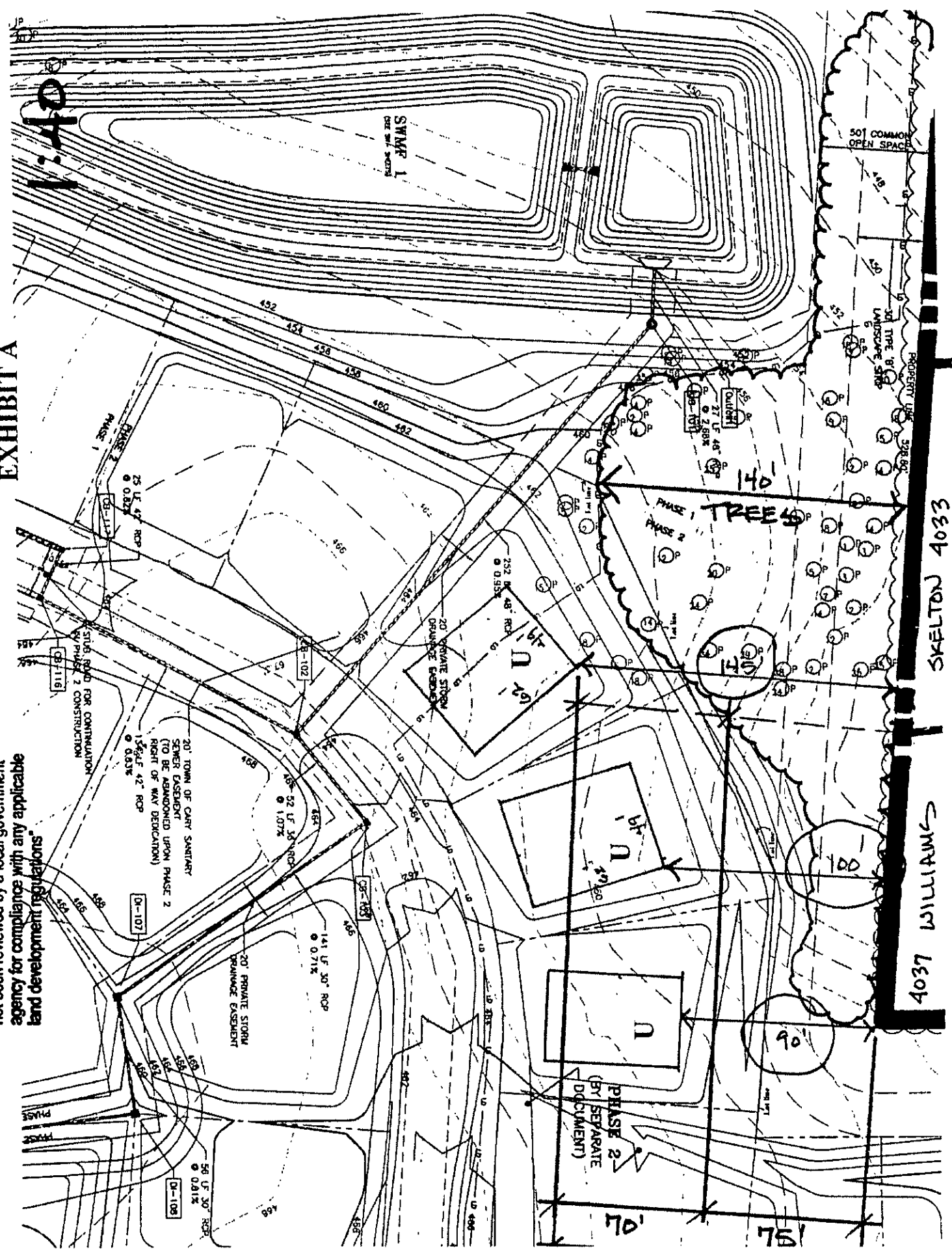
SCHEDULE 2

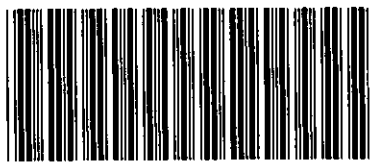
[see attached]

**WAKE COUNTY
REGISTER OF DEEDS
ADDED FOR SCANNING
PURPOSE ONLY**

"This map is not a certified survey and has not been reviewed by a local government agency for compliance with any applicable land development regulations"

EXHIBIT A





BOOK:015827 PAGE:00517 - 00602



Please retain yellow trailer page

It is part of the recorded document and must be submitted with the original for re-recording.

Laura M. Riddick

Register of Deeds

Wake County Justice Center
300 South Salisbury Street, Suite 1700
Raleigh, NC 27601

- ☒ New Time Stamp
- ☐ \$25 Non-Standard Fee
- ☐ Additional Document Fee
- ☐ Additional Reference Fee

This Customer Group

_____ # of Time Stamps Needed

This Document

86 # of Pages 1