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TO

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AND RESTRICTIONS FOR
WINSTON GREENS TOWN HOMES
OXFORD, NORTH CAROLINA

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NORTH CAROLINA
GRANVILLE COUNTY

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
WINSTON GREENS TOWN OFFICES

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made and published this _____ day of July, 1998, by and between WINSTON PROPERTIES, LLC, a North Carolina limited liability company, and JOHN L. WINSTON and wife, ANNA H. WINSTON (hereinafter collectively referred to as "Declarant"), and any and all persons, firms, corporations, limited liability companies or other entities hereafter acquiring any of the within described property.

WITNESSETH:

WHEREAS, Declarant is the owner of certain real property as described in a conveyance to Winston Properties, LLC recorded in Book 740, page 954, Granville County Registry, and to John L. Winston and Anna B. Hancock recorded in Book 740, page 956, Granville County Registry (hereinafter referred to as the "Property"). The Property is to be subdivided into a townhouse subdivision known as Winston Greens Town Homes (hereinafter referred to as "Winston Greens") and is more particularly shown on plat of record in Plat Book 22, page 64, Granville County Registry.

WHEREAS, it is in the best interest of the Declarant, as well as to the benefit, interest and advantage of each and every person or other entity hereafter acquiring any of the said townhouse units that certain covenants, conditions, easements, assessments, liens and restrictions governing and regulating the use and occupancy of the same be established, fixed and set forth and declared to be covenants running with the land; and

WHEREAS, Declarant desires to provide for the preservation of the values and amenities and the desirability and attractiveness of the real property in the Winston Greens development; and for the continued maintenance and operation of the recreational and common areas as may be provided therein;

NOW, THEREFORE, in consideration of the premises, the Declarant agrees with any and all persons, firms, corporations, limited liability companies, or other entities hereafter acquiring any of the property, which is a part of the Winston Greens development, that the same shall be and is hereby subject to the following restrictions, covenants, conditions, easements, assessments and liens (all hereinafter collectively referred to as "Restrictions") relating to the use and occupancy thereof, said Restrictions to be construed as covenants running with the land which shall be binding on all parties having or acquiring any right, title or interest in the said property or any part thereof, and which shall inure to the benefit of each owner thereof. Every person or other party hereafter acquiring any of the said property made

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subject to this Declaration, by acceptance of a deed or contract for deed or other conveyance of any interest in or to said property, whether or not it shall be so expressed in any such deed, contract for deed or other conveyance, and regardless of whether the same shall be signed by such person and whether or not such person shall otherwise consent in writing, shall take such property interest subject to this Declaration and to the terms and conditions hereof and shall be deemed to have assented to same.

ARTICLE I

Definitions

The following words when used in this Declaration or any supplemental declaration hereto (unless the context shall prohibit) shall have the following meaning:

Section 1. "Association" shall mean and refer to the Winston Greens Town Homes Property Owners Association, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina, its successors and assigns.

Section 2. "Winston Greens" means that property shown on the map recorded in Plat Book 22, page 64, Granville County Registry, and additional properties contiguous thereto shall be made subject to this Declaration, if said properties are fully developed into additional phases of Winston Greens.

Section 3. "Common Area" shall mean and refer to any and all real property subject to this Declaration as defined and bounded by a property referenced and recorded plat and designated thereon as "Common Area," along with facilities and improvements erected or constructed thereon, for the exclusive use and enjoyment of the members of the Association. Declarant shall convey to the Association fee simple title to the Common Area.

Section 4. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions applicable to Winston Greens which is recorded in the Granville County Registry.

Section 5. "Declarant" shall mean and refer to Winston Properties, LLC and John L. Winston and wife, Anna H. Winston, the survivor, their heirs, successors and assigns.

Section 6. "Lot" shall mean and refer to any lot of land or building site within Winston Greens (but not including the real estate designated as Common Area) upon which five double-attached townhouses are or will be constructed as shown on a subdivision plat filed of record in the Granville County Registry.

Section 7. "Member" shall mean and refer to any person or other entity who holds membership in the Association.

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Section 8. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee interest in any Lot in the Winston Greens development, excluding, however, those parties having such interest merely as a security interest for the performance of an obligation.

Section 9. "Person" shall mean and refer to a natural person, as well as a corporation, partnership, limited liability company, firm, association, trust or other legal entity. The use of the masculine pronoun shall include the neuter and feminine, and the use of the singular shall include the plural where the context so requires.

Section 10. "The Property" shall mean that property known as Winston Greens and described in the deed to Winston Properties, LLC as recorded in Book 740, page 954, Granville County Registry.

Section 11. "Street" shall mean the street in the City of Oxford known as Clover Lane.

ARTICLE II

Association Membership and Voting Rights

Section 1. Membership.

(a) Every person or entity who is a record owner of a fee or undivided fee interest in any Lot subject to this Declaration, including contract sellers, within the Property shall be a Member of the Association, subject to and bound by the Association's Articles of Incorporation, By-Laws, rules and regulations. The foregoing is not intended to include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation. Ownership of record of such Lot shall be the sole qualification for membership. When any Lot is owned of record in tenancy by the entireties, joint tenancy, or tenancy in common or by some other legal form of multiple ownership, the membership (including the voting power arising therefrom) shall be exercised only as stipulated in Section 2 hereinbelow. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

(b) During any period in which a Member shall be in default in the payment of any annual, special or other periodic assessment levied by the Association, the voting rights and right to use of the Common Area or any other facilities which the Association may provide may be suspended by the Association until such assessment is paid. In the event of violation by a Member of any rules or regulations established by the Association, such Member's voting and use rights may be suspended by the Association after a hearing at which the general requirements of due process shall be observed. Such hearing shall only be held by the Association after giving the Member ten (10) days prior written notice specifying each alleged violation and setting the time, place and date of the hearing. Determination of violation shall be made by a majority vote of the Association or a committee thereof.

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(c) No membership fee shall be charged, nor shall Members be required to pay at any time any amount to carry on the business of the Association except to pay when due the charges, assessments and special assessments levied upon each Member's Lot as specified in the Declaration or as the Members of the Association may from time to time hereafter adopt.

Section 2. Voting and Voting Rights.

(a) The voting rights of the membership shall be appurtenant to the ownership of Lots. All Owners shall be entitled to one vote for each Lot owned. When more than one person holds an interest (other than a leasehold or security interest) in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot, nor shall any fractional vote be cast.

(b) Any Member who is delinquent in the payment of any charges duly levied by the Association against a Lot owned by such Member shall not be entitled to vote until all such charges, together with such reasonable penalties as the Association may impose, have been paid.

(c) Members shall vote in person or by proxy executed in writing by the Member. No proxy shall be valid after eleven (11) months from the date of its execution or upon conveyance by the Member of his Lot. A corporate Member's vote shall be cast by the President of the Member corporation or by any other officer or proxy appointed by the President or designated by the Board of Directors of such corporation, which designation must, if requested by the Association, be in writing. A limited liability company Member vote shall be cast by the manager or any member of the Member limited liability company, which designation must, if requested by the Association, be in writing.

(d) Voting on all matters shall be by voice vote or by show of hands unless a majority of the Members present at the meeting shall, prior to voting on any matter, demand a ballot vote on that particular matter. Where officers are to be elected by the Members, the solicitation of proxies for such elections may be conducted by mail.

ARTICLE III

Common Area Property Rights

Section 1. Use of Common Area. Every Owner (by virtue of Membership in the Association) shall have a nonexclusive right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title for every Lot subject to the provisions of this Declaration, the Articles of Incorporation and the By-Laws of the Association, and the following:

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(a) The right of the Association to limit the use of the Common Area to Owners or Owners' guests, invitees or tenants.

(b) The right of the Association to suspend the voting and enjoyment rights of an Owner for any period during which any assessment against his Lot remains unpaid, or for any infraction of the Association's published rules and regulations.

(c) The right of the Association to mortgage, to dedicate or to transfer any part of the Common Area to any public agency, authority, utility or other entity for such purposes and subject to such conditions as may be agreed to by the members of this Association. No such mortgage, dedication or transfer shall be effective unless the instrument agreeing to said mortgage, dedication or transfer is signed by 2/3rd of the Owners.

Section 2. Delegation of Use. The right and easement of enjoyment granted to every Owner in Section One of this Article may be exercised by members of the Owner's patients, invitees, staff and guests and an Owner may delegate his rights of enjoyment in the Common Area to his tenants or contract purchasers who occupy the Lot of the Owner within the Property.

Section 3. Parking Rights. Parking spaces shall be restricted to Owner's separate driveway and garage. No Owner, including his invitees, guests and tenants shall use on street parking on Street or the Common Area other than a designated driveway as indicated on the recorded plat of the property, except on a temporary basis. No one shall block any of the driveways or mailboxes located on the Property.

ARTICLE IV

Covenants for Maintenance Assessments

Section 1. Annual Assessment for Maintenance Fund. For each Lot owned within the Property, every Owner covenants, and each subsequent Owner of any such Lot, by acceptance of a deed therefor, whether or not it is so expressed in such deed, is deemed to covenant and agree to pay to the Association for retention in part by the Association for certain expenses of maintenance in accordance with this Declaration:

(a) Annual assessments or charges in the amount hereinafter set forth.

(b) Special assessments as approved by the Association to be established and collected as hereinafter provided.

The annual assessment provided for herein for the Association shall be payable in annual installments by every Owner of each Lot. The initial annual payment shall be payable upon thirty (30) days notice to the Owner of each Lot, and thereafter, the said annual payment shall be payable on January 2 of each succeeding year. In lieu thereof, the Association may elect to prorate the annual assessment over twelve (12) consecutive equal monthly payments.

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Section 2. Purpose of Assessments. The assessments levied by the Association shall be used to provide funds for (i) such purposes and common expenses as are for the benefit of the Association and the owners of property within the area overseen and administered by the Association which purposes may include maintenance, repair, insurance, landscaping, yard mowing and upkeep and beautification of the Common Area and (ii) certain maintenance expenses of the Association including, but not limited to, the exteriors of the townhouse units constructed on the Lots. Funds may also be used for the maintenance of the exteriors of townhouse units as aforesaid, including but not limited to the cost of repair, replacement and additions thereto; the cost of labor, equipment, materials, management and supervision thereof; the payment of taxes assessed against all Common Area; the payment of assessments for public improvements to or for the benefit of the Common Area; the procurement and maintenance of insurance; the employment of attorneys, accountants and other professionals to represent the Association when necessary or useful; the employment of security personnel to provide when necessary or useful; the employment of security personnel to provide any service which is not readily available from any governmental authority; and such other needs as may arise.

Section 3. Proration of Assessments. All annual assessments and special assessments shall be prorated on an equal prorated basis per Lot regardless of the square footage contained in each Lot.

Section 4. Creation of the Lien and Personal Obligation of Assessment. In accordance with the terms and provisions hereof and in order to secure payment at and after the due date, there shall arise a continuing lien and charge against each Lot as each assessment becomes due, the amount of which shall include costs and reasonable attorney's fees to the extent permissible by law. Each such assessment, together with such interest, cost and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due.

Section 5. Exempt Property. The assessments, charges and liens created under this Article IV shall not apply to the Common Area, nor shall they apply to any Lot the title to which is vested either in any first mortgage subsequent to foreclosure or in the Secretary of Housing and Urban Development or the Administrator of Veteran's Affairs or any other State or Federal agency's guarantee or insurance of a foreclosed mortgage loan; provided, however, that upon the resale of such Lot by such first mortgagee or such governmental agency, the assessment herein provided shall again commence and accrue and shall be fully applicable to such Lot upon the conveyance to any subsequent Owner.

Section 6. Annual Maintenance Assessments and Maximums.

(a) The annual maintenance assessment imposed by the Association shall be set each year by the Association as set forth herein. As stated before, the Association may elect to prorate the annual assessment (and also any special assessment) over twelve (12) consecutive equal monthly payments.

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(b) The initial annual assessment shall be \$125.00 per Lot per month. The initial annual assessment for each separate Lot shall be due upon the transfer of title from the Declarant (as the case may be) to the new Owner. Thereafter, the annual assessment imposed by the Association may be increased above or decreased below the amount provided above if such increase or decrease is approved by no less than two-thirds (2/3) of the total votes eligible to vote on Association matters in person or by Proxy, at a meeting duly called for this purpose.

Section 7. Special Assessments. In addition to the annual assessment imposed by the Association set forth above, the Association may levy, in any assessment year, a special assessment applicable to that year only, provided that such assessment shall have the same assent as provided in Section 5(b) of this Article.

Section 8. Effect of Nonpayment of Assessment: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the maximum legal rate and to the extent allowed by law. The association or its agent or representative may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot to which the assessment relates, and interest, costs and reasonable attorneys' fees for such action or foreclosure shall be added to the amount of such assessment to the extent allowed by Law. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of any of the common areas or abandonment of his Lot.

Section 9. Governmental Authority Assessment Levied Against Common Area. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Area or assessments for public improvements to the Common Area, which default shall continue for a period of six (6) months, each Owner of a Lot in the subdivision shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots in the subdivision. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental may either bring an action at law against the Owner personally obligated to pay the same or may elect to foreclose the lien against the Lot of the Owner.

Section 10. Subordination of the Lien to Mortgages. The lien provided for herein shall be subordinate to the lien of any first lien deed of trust (sometimes hereinafter called "mortgage" or "first mortgage" and the holder thereof being sometimes hereinafter referred to as a "first mortgagee") on any Lot if, but only if, all such assessments with respect to such Lot having a due date on or prior to the date such mortgage is filed for record have been paid. The lien and permanent charge hereby subordinated is only a lien and charge as relates to assessments authorized hereunder having a due date subsequent to assessments authorized hereunder having a due date subsequent to the date such mortgage is filed of record and prior to the satisfaction, cancellation or foreclosure of such mortgage or the sale or transfer of the

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mortgaged property pursuant to any proceeding in lieu of foreclosure or the sale or transfer of the mortgaged property pursuant to a sale under power contained in such mortgage. Sale or transfer of any Lot shall not affect any assessment lien. The sale or transfer of any Lot which is subject to any mortgage pursuant to a foreclosure thereof or under a power of sale or any proceeding in lieu of foreclosure thereof shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer, but the Association shall have a lien upon the proceeds from foreclosure or of sale junior only to the said foreclosed first mortgage and the equity of redemption of the mortgagor or trustor. No sale or transfer shall relieve such Lot from liability for any assessment thereafter becoming due or from the lien thereof.

ARTICLE V

Maintenance and Use Restrictions

The following maintenance and use restrictions shall apply to each and every Lot now or hereafter subject to this Declaration:

Section 1. Use Restrictions.

(a) All garbage, trash or other refuse shall be placed in the trash receptacle located in the lattice enclosure on Owner's lot and shall not be stored, placed or allowed to accumulate at any other place on the Property unless otherwise permitted by the Association.

(b) No lumber, brick, stone, cinder block, concrete or other building materials, scaffolding, mechanical devices or any other thing used for building purposes shall be placed or stored on such Lot or Common Area and shall not be stored on such Lot for longer than the length of time reasonably necessary for the construction to completion of the improvement in which same is to be used.

(c) No exposed above-ground tanks will be permitted for the storage of fuel or water or any other substance.

(d) All signs located on the exterior of the townhouse units or otherwise exposed to the general public shall be consistent with the character of the Property and approval of such signs, their size and location must be approved by the Association

(e) No automobiles or trucks without valid up-to-date license plates shall be permitted upon Lot or on Street unless said automobiles or trucks are kept in the garage; it being the intent of this restriction to prevent unused or abandoned vehicles upon any Lot and to prevent the unsightliness of same. Moreover, no boats or recreational vehicles (i.e., four wheelers) shall be kept unless parked on the designated driveway or in the garage. As stated before, Owner, including his invitees, guests and tenants, shall only park on the designated driveway area for Lot; no parking on Street is permitted.

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(f) Prior to any landscaping on Lot, Owner must first submit written plans to the Association for prior approval. In no event shall yard art or decoration other than with natural plants, shrubs, or trees be permitted.

(g) No window fans or awnings shall be permitted on Lot, nor shall additional storm doors be added to the townhouses.

(h) Nothing shall be kept and no activity shall be carried on in any building or townhouse unit or on the Common Area and facilities which will increase the rate of insurance, applicable to townhouse residential and related use, for the property or the contents thereof. No owner shall do or keep anything, nor cause or allow anything to be done or kept, in his townhouse unit or on the Common Area and facilities which will result in the cancellation of insurance on any portion of the property, or the contents thereof, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the Common Area and facilities.

(i) No storage shed (whether attached or detached) or any other outbuilding shall be permitted on Lot.

(j) Each Owner is limited to a maximum of two (2) pets per Lot; however, pets are to be kept inside the townhouse, and no chain fences, pet houses or outside pens are permitted on Lot. All pets shall be on a leash when walked by Owner, and Owner is responsible for the cleaning up of pet waste on the Lots and Common Area.

Section 2. Party Walls.

(a) Each wall which is built as a part of the original construction of the townhouse units upon the Property and placed on the dividing line between the Lots (with each Owners sharing one party wall) shall constitute a party wall, and, to the extent not inconsistent with the provisions of this section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

(c) If a party wall is destroyed or damaged by fire or other Owners thereafter make use of the wall they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Notwithstanding any other provision of this section, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

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(e) The right of any Owner to contribution from any other Owner under this section shall be appurtenant to the land and shall pass to such Owner's successors in title.

(f) In the event of any dispute arising concerning a party wall, or under the provisions of this section, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

Section 3. Encroachments and Easements.

(a) If any portion of the Common Area now encroaches upon any Lot or if any building improvement on a Lot now encroaches on any other Lot or on any portion of the Common Area, or if any such encroachment shall occur hereafter as a result of (i) repair, alteration or reconstruction of the Common Area made by or with the consent of the Association; (ii) repair or reconstruction of a townhouse unit following damage by fire or other casualty; or (iii) condemnation or eminent domain proceedings, a valid easement shall exist for such encroachment and for its maintenance so long as the Association shall approve of it and the property shall remain subject hereto.

(b) Each Owner of a Lot over which the adjoining Lot Owner's building encroaches covenants and agrees for himself, his personal representatives, successors and assigns that Owner will not break, cut, disturb, destroy or remove any part of the improvement overlapping and encroaching upon or over his Lot as long as the improvement remains standing and is similar in materials and appearance to the original construction or improvement. Owner further covenants that these provisions shall be covenants running with the Lot and the covenants herein contained shall remain in force as long as improvements upon the adjoining to are substantially the same as originally constructed.

(c) Each Owner of each Lot shall acquire title to such property subject to the irrevocable right of the Association to have access to such Lot and the townhouse unit thereon, said right to access solely for the purpose of making regular maintenance and repairs as well as emergency repairs, to perform its obligations as set forth in Section 4 below, or taking such action as may be necessary and required to prevent damage to the Common Area or to another Owner's Lot or townhouse unit.

(d) Each Owner of a Lot shall also enjoy a nonexclusive easement and the right to the use and benefit of Common Area providing access to Owner's Lot from the nearest dedicated public street without hindering or encroaching upon the rights of other Owners. Each Owner shall have the exclusive right to park his motor vehicle on the driveway leading from his Lot across the Common Area to Street.

Section 4. Maintenance.

(a) The Association shall be responsible for the maintenance of the exteriors of townhouse units located on the Lots, and shall keep the same in good, clean, attractive and sanitary condition. The cost of such management operation, maintenance and repair by the Association shall be borne as provided in Article IV.

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(b) For purposes of maintenance, repair, alteration and remodeling, an Owner shall have the obligation to pay assessments to the Association to maintain, repair, alter and remodel his individual Lot. No Owner shall, however, make any changes or alterations of any type or kind whatsoever to the exterior surfaces of his townhouse unit or to other improvements on his Lot without the prior approval of the Association. An Owner shall maintain or, as directed by the Association, pay assessments to maintain, and keep in good repair and in a clean, safe, attractive and sightly condition, the Lot and his townhouse unit, including landscaping. An Owner shall reimburse the Association for any expenditure (including deductible amounts under insurance policies) incurred for replacing or repairing any parts of the Common Area damaged through the fault of an Owner, or the Owner's guests, invitees or tenants, and the Association shall be entitled to assess such Owner for such amounts which shall be payable, collectible and enforceable in the same manner as additional assessments pursuant to Article IV. If any Owner fails to carry out or neglects the responsibilities set forth in this Section, the Association may fulfill the same and charge such Owner therefor, and such amounts so charged shall be payable, collectible and enforceable in the same manner as assessments pursuant to Article IV.

(c) The Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder as follows: paint, repair, replace and care for roof, gutters, downspouts, exterior building surfaces, walks, and landscaping. Such exterior maintenance shall not include the maintenance or the repair of entry doors, frames, windows and decks which shall be the sole responsibility of the Owner. Determination of whether such repair or maintenance is the obligation of the Association shall rest solely with the Association, which shall have the sole responsibility for determining the kind and type of materials used in such repair and maintenance. The Association shall also provide for the regular mowing, upkeep and maintenance of the Property yards, including the spaces contained in both the Lots and the Common Area.

In the event that the need for maintenance and/or repair of a Lot and its improvements or of the Common Area and its improvements is caused through the willful or negligent acts of the Owner, his invitees, guests and tenants, the cost of such maintenance and/or repairs shall be added to and become a part of the assessment to which that Owner is subject, as further set forth in Article V hereunder.

Section 5. Residential Use. Each Lot and townhouse unit thereon subject to this Declaration shall be used only for residential purposes.

Section 6. Unsightly or Dangerous Activities. The pursuit of inherently dangerous activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices which might tend to cause disorderly, unsightly or unkept conditions; the shooting of firearms, fireworks or pyrotechnic devices of any type or size; and such other activities shall not be pursued or undertaken on any part of any Lot or the Common Area without the consent of the Association.

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Section 7. Nuisances and Unsightly Materials. Each Owner shall refrain from any act or use of his lot which could reasonably cause embarrassment, discomfort, annoyance or nuisance to the other members. No noxious, offensive or illegal activity shall be carried on upon any Lot. No substance, thing or material shall be kept upon any Lot which will emit foul or noxious odors, or that will cause any noise that will or might disturb the peace and quiet of the other members.

Section 8. Governmental Regulations. Each Owner shall observe all governmental building codes, health regulation, zoning restrictions and other regulations applicable to his Lot. In the event of any conflict between any provision of any such governmental code, regulation or restriction and any provision of this Declaration, the more restrictive provision shall apply.

ARTICLE VI

Easements

Section 1. General. Every Owner, by accepting a deed to any Lot, thereby grants to the Association or its agents a continuing, general easement to enter the Lot for purposes of maintenance, upkeep or repair to the landscaping, to the exteriors of the units or for any other work for which the Association is responsible.

Section 2. Emergency. There is hereby reserved without further assent or permit, a general easement to all policemen and security guards employed by the Association, firemen, ambulance personnel and all similar persons to enter upon the property or any portion thereof which is now or hereafter made subject to this Declaration in the performance of their respective duties.

Section 3. Construction. Developer shall retain an easement of ingress, egress and regress across the Common Area during all periods of construction for the following: (1) construction of the existing Winston Greens, (2) construction of any additional phases of Winston Greens, and (3) renovation, repair and remodeling of all complexes, both present and future, of Winston Greens. This easement shall permit Developer, his agents, employees, contractors and subcontractors, to have reasonable access to and from Street and the site of construction, remodeling, repair and/or remodeling.

ARTICLE VII

Sale of Lots

Should any Lot now or hereafter made subject to this Declaration become subject to a mortgage as security in good faith for value, the holder thereof on becoming Owner of such interest through whatever means, or the seller at any sale under a power of sale therein

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contained, shall otherwise sell and the purchaser shall take subject to the terms, covenants and provisions contained herein.

ARTICLE VIII

Insurance

Section 1. Comprehensive General Liability and Property Insurance. After eight (8) Lots have been sold by Declarant, comprehensive general liability and property damage insurance shall be purchased by the Association and shall be maintained in force at all times, the premiums thereon to be paid by the Association as a common expense. The insurance shall be carried with reputable companies authorized to do business in the State of North Carolina, in such amounts as the Association may determine; the insurance carrier should have a current rating by Best's Insurance Reports of VI or better, or a financial rating of Class VI and a general policyholder's rating of at least A. If the insurer does not meet this rating requirement, the insurer must be reinsured by a company that does have a current rating by Best's Insurance Reports of VI or better.

A comprehensive policy of general liability insurance shall be in force in an amount per occurrence to be determined by the Association, covering all claims for bodily injury and/or property damage arising out of a single occurrence, such coverage to include protection against liability for non-owned and hired automobiles, liability for property of others, and, if applicable, host liquor liability and other risks which are customarily covered with projects similar in construction, location and use. The policy or policies shall name as insured all of the Owners and the Association. The policy or policies shall insure against loss arising from perils in both the Common Area and on the Lots and shall include contractual liability coverage to protect against such liabilities as may arise under the contractual exposure of the Association.

The policy or policies shall contain a "severability of interest" clause or endorsement which shall preclude the insurer from denying a claim of an Owner or the Association because of negligent acts of the Association or other Owners.

Section 2. Covenants of Owner to Keep Units Insured Against Loss, to Rebuild and to Keep in Good Repair. Each Owner of any Lot within the Property, by acceptance of a deed therefor, whether or not it shall be so expressed in said deed, or by exercise of any act of ownership, is deemed to covenant:

(a) **Covenant to Obtain Hazard Insurance.** Each Owner shall obtain insurance for the Owner's townhouse unit against loss or damage by fire or other hazards in an amount sufficient to cover the full replacement cost, without deduction for depreciation or co-insurance, of any repair or reconstruction work in the event of damage or destruction from any hazard. Each Owner shall maintain continuous full replacement costs coverage on his unit, and he shall not allow coverage to lapse or expire.

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Each policy shall contain a North Carolina standard mortgagee clause in favor of any first mortgagee, only, of any Lot, which shall provide that the loss, if any, thereunder shall be payable to such first mortgagee as its interest may appear subject, however, to the loss payment provisions in favor of the Association hereinafter set forth. All such policies shall provide that adjustment of loss shall be made by the Association with the approval of the Lot Owner, and that the proceeds thereof shall be payable to the Association, as Trustee, for the Lot Owner. Such insurance proceeds shall be applied to the repair or restoration of the property as hereinafter provided. Such policies of physical damage insurance shall be written in the name of the Lot Owner and the Association, as Trustee for each Lot Owner, and shall contain waivers of subrogation and of the invalidity arising from any acts of the insureds, or, any Lot Owner, and shall provide that such policies may not be cancelled or substantially modified without at least ten (10) days' prior written notice to all of the insureds, including any mortgagee of any lot.

(b) Covenant to Rebuild or Repair. In the event of damage to or destruction of any townhouse unit as result of fire or other casualty, the Owner, with the concurrence of his first mortgage, if any, upon receipt of the insurance proceeds by the Association, shall contract to rebuild or repair such damaged or destroyed townhouse unit in conformance with the damaged or destroyed townhouse unit in conformance with the original plans and specifications of such townhouse unit, unless a change has been approved in writing by the Association.

Upon receipt of the insurance proceeds, and prior to making any other disbursement, the Association shall first pay the expenses incurred, if any, including the reasonable charges for the services of any public adjuster and of any attorney employed by the Association to secure payment of such proceeds.

No disbursement for reconstruction or repair shall be made, nevertheless, unless the Association is first directed by a written certificate of the Owner, or his designated architect or engineer, stating that the sums to be paid are due and properly payable for such reconstruction or repair, and stating the following information as to each disbursement:

- (1) Name and mailing address of payee;
- (2) Amount of payment;
- (3) Purpose of payment.

In the absence of or the refusal of the first mortgagee and/or the Owner to proceed to rebuild or repair upon thirty (30) days written notice and demand, such portion of the proceeds as necessary to discharge the interest of the first mortgagee, if any, shall be paid over by the Association to such mortgagee, upon the tender by said mortgagee, upon the tender by said mortgagee of a duly executed discharge of the mortgage in recordable form.

The Association is hereby irrevocably authorized by the Owner to use the balance of insurance proceeds remaining, after discharge of any first mortgagee interest, if any, to

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reconstruct the exterior portion of such townhouse unit so damaged or destroyed, in conformance with the original plans and specifications of such townhouse unit, upon the Owner's failure to commence repairs or reconstruction.

No disbursement for reconstruction and repair of the exterior portion of such townhouse unit shall be made unless the Association is first directed by a written certificate of an architect or engineer, employed by the Association to supervise such reconstruction or repair, stating that the sums to be paid are due and properly payable for such reconstruction or repair of the exterior portion and stating the following information as to each disbursement:

- (1) Name and mailing address of payee;
- (2) Amount of payment;
- (3) Purpose of payment.

In the event the cost to reconstruct the exterior portion of such townhouse unit shall exceed the balance of insurance proceeds remaining after the payment of expenses and the discharge of the first mortgagee's interest, the cost to reconstruct the exterior portion in excess of the balance shall be an expense of the specific owner of such townhouse and shall be paid within thirty (30) days after notice and demand therefor. In default of payment thereof, the excess cost, together with interest, costs and reasonable attorney's fees, shall become a charge on the land and shall become a continuing lien upon the lot against which such additional cost was incurred. Such lien may be enforced in the same manner as the lien for annual or special assessment as provided for in Article IV hereof.

Prior to the reconstruction or rebuilding of the exterior portion of such destroyed townhouse unit, the Association shall first employ an architect or engineer to supervise the same and, based upon the original plans and specifications for such townhouse unit, advertise for sealed bids and may thereafter negotiate with any contractor for the reconstruction or rebuilding of such townhouse unit's exterior portion.

In the event the cost of reconstruction and repair of the exterior portion of such townhouse unit, including the reasonable cost for services of any architect, engineer or attorney employed by the Association to pursue the reconstruction and repair of the exterior portion of such townhouse unit, is less than the insurance proceeds remaining in the Association's hands, then and in such event, the proceeds remaining, after payment of costs, shall be paid to the Owner and any other person asserting claim against the Owner's interest in his Lot, upon the tender to the Association by such Owner of a duly executed release of liability and/or accountability for the use of such insurance proceeds.

All insurance proceeds paid on any loss claim shall be first deposited in a bank or other financial institution, in an interest bearing account insured by a Federal governmental agency, with provision that such proceeds, or any part thereof, may only be withdrawn upon the signatures of at least two members of the Association or their designee.

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Only the Association, as Trustee, the Lot Owner, and his first mortgagee shall be named insureds. Assignment of the policy or of the proceeds of the policy in the event of loss shall be prohibited.

The Association may consult with and employ an attorney of its choice with respect to any question relating to its duties or responsibilities hereunder and shall not be liable for any action taken or omitted by it in good faith or on advice of counsel. The Association shall be reimbursed for all expenses incurred by it in connection with its duties provided under this Article as a charge against the insurance proceeds, except for such expenses incurred as a result of bad faith or willful misconduct.

(c) Covenant to File Policy with Association. Each Owner shall file with the Association, or with the designated managing agent of the Association, if applicable, his insurance policy which meets the requirements specified in Section 2.(a) and (b) above. Such filing must be made when the Owner takes possession of his unit or when the Owner closes the purchase of his unit, whichever event occurs first.

If, after five (5) days written notice, an Owner fails to file his insurance policy with the Association; or fails to obtain the policy requirements specified in Section 2.(a) and (b) above; or allows the policy to expire, then the Association is hereby irrevocably authorized by the Owner to obtain the required insurance policy on the unit Owner's behalf and the expense thereof shall become a charge on the land and shall become a continuing lien upon the Lot. Such lien may be enforced in the same manner as the lien for annual or special assessments as provided for in Article V hereof. Such lien shall be subordinate to the lien on any first mortgage on the Lot.

(d) Covenant to Keep Unit in Good Repair. The Owner shall keep the townhouse unit in good repair except for repairs required to be performed by the Association.

(e) Retention by Owner. If a townhouse unit is not habitable by reason of damage, and the Owner gives notice of his commencement to repair or reconstruct the townhouse unit, the obligation of the Owner to pay annual assessment installments shall be suspended either for a period of ninety (90) days or until the townhouse unit is restored to a habitable condition, whichever shall first occur. In the event a townhouse unit is damaged or destroyed, and the Owner does not begin repair or reconstruction within thirty (30) days following the damage or destruction, he shall remove or cause to be removed, at his expense, all debris from the Lot, so that it shall be placed in a neat, clean and safe condition; and if he fails to do so, in addition to the Association's rights specified in Section 2.(b) above, the Association may cause the debris to be removed, and the cost of removal shall constitute a lien upon the Lot until paid by Owner.

(f) Application to Declaration and By-Laws. Any townhouse unit which has been destroyed, in whole or in part, by fire or other casualty, and is subsequently restored or reconstructed, shall be subject to the provisions of this Declaration and to the By-Laws of the Association.

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Section 3. Other Insurance. The Association may purchase and maintain in force as a common expense debris removal insurance, plate or other glass insurance, fidelity bonds and other insurance or bonds that it deems necessary. The Association shall purchase and maintain worker's compensation insurance to the extent that the same shall be required by law respecting employees of the Association.

Section 4. Notice of Cancellation or Modification. The policy and/or policies required by this Article must provide that they cannot be cancelled or substantially modified by any party without at least ten (10) days' prior written notice to all insureds thereunder, including each Owner and each first mortgagee.

Section 5. Annual Review of Policies. All insurance policies shall be reviewed at least annually by the Association to ascertain whether the coverages contained in the policies are sufficient for the upcoming year, whether any necessary repairs or replacements of the property which occurred in the preceding year were covered by insurance, and that all possible insurance claims have been filed.

Section 6. Deductibles. If an Owner, who by a negligent or willful act, causes damage to the Common Area or other Properties which are insured as a common expense, then said Owner shall bear the whole cost of the deductible required in the blanket insurance policy for the Association on the Common Area and other such Property. An Owner shall be responsible for any action of members of his invitees, guests or tenants which causes damage to said Common Area or other Property.

Section 7. Waivers. All such policies of insurance described in this Article VIII shall contain waivers of subrogation and waivers of any defense based on an invalidity arising out of the acts of a Member of the Association.

ARTICLE IX

Rights of Institutional Lenders

Section 1. Prior Written Approval. The prior written approval of each institutional holder of a first mortgage or deed of trust on units in the Property will be required for the following:

- (a) The abandonment or termination of the Property except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain.
- (b) Any material amendment to the Declaration or to the By-Laws of the Association. The Association, acting in good faith, shall make the determination of whether any such amendment is material.

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Section 2. No Partition. No unit may be partitioned or subdivided to create additional townhouse units without the prior written approval of the first lienholder of the unit.

Section 3. Inspections and Notice. Upon written request, any institutional holder of a first mortgage or deed of trust on a unit shall be entitled to:

- (a) Inspect the books and records of the Association during normal business hours; and
- (b) Receive an annual financial statement of the Association within 90 days following the end of any fiscal year.

Section 4. Destruction of Townhouse Unit.

- (a) In the event of substantial damage amounting to greater than five percent (5%) of the value of the unit, or destruction of any unit or any part of the common area, the institutional holder of any first mortgage or deed of trust on a unit will be entitled to timely written notice of any such damage or destruction.
- (b) If any unit or portion thereof or the Common Area or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institution holder of any first mortgage or deed of trust on a unit will be entitled to timely written notice of any such proceeding or proposed acquisition.
- (c) The holder of a first mortgage or deed of trust on any unit shall be given prompt notice of any default by the unit Owner's or mortgagor's obligations hereunder not cured within thirty (30) days of said default.

ARTICLE X

General Provisions

Section 1. Duration. The foregoing restrictions shall be construed to be covenants running with the land and shall be binding and effective for a term of twenty (20) years from the date this Declaration is recorded, at which time they shall be automatically extended for successive periods of ten (10) years each unless it is agreed by the vote of a majority in interest of the then Owners of the above-described Property to change, amend, or revoke the Restrictions in whole or in part. Every purchaser, Owner or subsequent grantee of any interest in any Property now or hereafter made subject to this Declaration, by appearance of a deed or other conveyance therefor, thereby agrees that the covenants and restrictions of this Declaration may be extended as provided in this Article.

Section 2. Amendment. This Declaration may be amended during the first twenty (20) year period by an instrument signed by two thirds of the Owners of the Lots. All

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amendments shall be certified as an official act of the Association and shall forthwith be recorded in the Granville County Registry. All amendments shall become effective upon recordation. Every purchaser or subsequent grantee of any interest in any Property now or hereafter made subject to this Declaration by acceptance of a deed or other conveyance therefor hereby agrees that the covenants and restrictions of this Declaration may be amended as provided in this Article.

Section 3. Enforcement. If any person, firm or corporation shall violate or attempt to violate any of these Restrictions, it shall be lawful for the Association or for any other person, firm, corporation or limited liability company who is a member of the Association to bring an action against the violating party at law or in equity for any claim which these Restrictions may create in such other Owner or member either to prevent said person, firm, corporation or limited liability company from so doing such acts or to recover damages for such violation. The violating party shall be responsible for all costs and attorney's fees incurred by the Association or such other Owner in such action. Any failure by the Association or any Owner to enforce any of said covenants and restrictions or other provisions shall in no event be deemed a waiver of the right to do so thereafter. Invalidity of any one or more of these Restrictions by judgment or court order shall neither affect any of the provisions not expressly held to be void nor the provisions so voided in circumstances or application other than those expressly invalidated. All such remaining provisions shall remain in full force and effect together with the provisions ruled upon as they apply to circumstances other than those expressly invalidated.

Section 4. Headings and Binding Effect. Headings are inserted only for convenience and are in no way to be construed as defining, limiting, extending or otherwise modifying the particular sections to which they refer. The covenants, agreements and rights set forth herein shall be binding upon and inure to the benefit of the respective heirs, executors, successors and assigns of the Declarant and all persons claiming by, through and or under Declarant.

Section 5. Unintentional Violation of Restrictions. In the event of unintentional violation of any of the foregoing restrictions with respect to any Lot, the Declarant or its successors reserves the right (by and with the mutual written consent of the Owner or Owners for the time being of such Lot and of the Association) to change, amend, or release any of the foregoing restrictions as the same may apply to that particular Lot.

Section 6. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall not affect the other provisions of this Declaration, which shall remain in full force and effect.

IN WITNESS WHEREOF, the Declarants have hereunto set their hands and affixed their seals, this ____ day of July, 1998.

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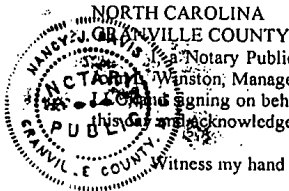
WINSTON PROPERTIES, LLC

By: [Signature] (SEAL)
John L. Winston, Manager and Member

By: [Signature] (SEAL)
J. Pratt Winston, Member

[Signature] (SEAL)
John L. Winston

[Signature] (SEAL)
Anna H. Winston



I, a Notary Public in and for the State and County aforesaid, do hereby certify that John L. Winston, Manager and Member, and J. Pratt Winston, Member of Winston Properties, LLC, signing on behalf of said limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

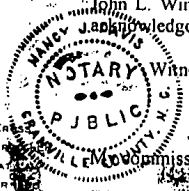
Witness my hand and Notarial Seal, this the 23rd day of July, 1998.

[Signature]
Notary Public

My commission expires: 11-16-98

NORTH CAROLINA
GRANVILLE COUNTY

I, a Notary Public in and for the State and County aforesaid, do hereby certify that John L. Winston and wife, Anna H. Winston, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.



Witness my hand and Notarial Seal, this the 23rd day of July, 1998.

[Signature]
Notary Public

My commission expires: 11-16-98

ROSTER, CARR
CURRIN & WINSTON
ATTORNEYS AT LAW
P. O. DRAWER
OXFORD, N. C. 27505

STATE OF NORTH CAROLINA, GRANVILLE COUNTY
The foregoing certificate of [Signature] is a Notary Public

as certified to be correct. This instrument was presented for registration and filed in the office of Book 103 Page 149.
This 23rd day of July 1998, at 2:30 o'clock P.M.
Registered Deeds [Signature]
By [Signature] Assistant Deputy

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