

WAKE COUNTY, NC 472
 LAURA M RIDDICK
 REGISTER OF DEEDS
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Prepared By & Hold For: Burns, Day & Presnell, P.A. (JMD)

**NORTH CAROLINA
 WAKE COUNTY**

**DECLARATION OF COVENANTS AND RESTRICTIONS
 FOR SHEARON FARMS SUBDIVISION - TOWNHOMES**

THIS DECLARATION, made on MARCH 4, 2005 by SHEARON FARMS, LLC,
 a North Carolina limited liability company, (the "Declarant").

RECITALS

Declarant and its successors, who are joining in this instruments as indicated below, own all of the Property which is more particularly described below. The parties want to subject the Property to the protective covenants, charges, conditions and restrictions described in this instrument to: (i) insure the best use and most appropriate development and improvement of the Property; (ii) protect owners against such improper use of surrounding lots as will depreciate the value of their lot; (iii) preserve, so far as practicable, the natural beauty of the Property; (iv) guard against the erection of poorly designed or proportioned structures and structures built of improper and unsuitable materials; (v) obtain harmonious color schemes; (vi) encourage and secure the erection of attractive structures with appropriate locations, proper set backs from streets, and adequate free spaces between structures; and (vii) provide for a high type and quality of improvements in the Property and thereby to enhance the values of investments made by the owners. **THEREFORE**, the parties declare that all of the Property, together with such additions as may subsequently be added, shall be held, sold, transferred, conveyed, occupied and used subject to this Declaration which shall run with the land and be binding on all parties having any right, title, or interest in the Property or any part thereof, their heirs, successors, and assigns and shall inure to the benefit of each owner.

1. DEFINITIONS. Unless the context clearly indicates otherwise, the following capitalized words and phrases shall have the indicated meanings when used in this instrument:

"Act" means the North Carolina Planned Community Act (Chapter 47F of the North Carolina General Statutes), as amended from time to time, or any corresponding provisions of succeeding law.

"Additional Properties" means the real property described in *Exhibit B* attached, and any additional tract or tracts of land, whether or not described in *Exhibit B*, which are contiguous to the Property. For purposes of this Declaration, land which is separated from the Property by a right-of-way or natural boundary (e.g., streams or pond) shall nevertheless be deemed "contiguous".

"Allocated Interests" means the undivided interests in the Common Elements and votes in the Association allocated to each Lot as determined in accordance with this Declaration. The Allocated Interests shall be expressed as a numerical percentage and, except for minor variations due to rounding, the aggregate percentages for all of the Lots at any one time shall equal 100%.

"Amenities" means the recreational facilities, if any, constructed on the Common Elements for the common use of the Members. As of the date of this Declaration and except for those amenities to be owned by the Master Association, no amenities are planned for the Planned Community.

"Annual Assessments" means the assessments described in *Section 7.4*.

"Approved Budget" means the budget approved by the Association's Board pursuant to *Section 7.4.2*.

"Articles" means the Association's Articles of Incorporation.

"Assessment" means an owner's share of the Common Expenses or other charges from time to time assessed against an Owner by the Association pursuant to the terms of this Declaration; including, but not limited to the Annual Assessments, the Special Assessments, and other assessments authorized by *Section 7.1.1*.

"Association" means Shearon Farms Townhome Owners Association, Inc., a non-profit North Carolina corporation.

"Association Board" or **"Executive Board"** refers to the Board of Directors for the Association.

"Building" means a structure constructed on the Property which contains one or more Townhome Units.

"Bylaws" means the Association's Bylaws.

"Common Area" or **"Common Elements"** means all real property within the Planned Community owned by the Association (other than a Lot), all Improvements constructed on that real property and the easements granted to the Association for the common use and enjoyment of the Owners. The Common Area/Common Elements to be owned by the Association shall be described in deeds to the Association and designated as such on each Plat. Common Area/Common Elements are more specifically described in *Section 3.1*.

"Common Expenses" means expenses of administration, maintenance, repair or replacement of the Common Elements; expenses described elsewhere in this Declaration or the Bylaws as "Common Expenses"; expenses agreed by the Members to be "Common Expenses"; Association operational costs and management fees; expenses for maintenance of the Private Streets, if any, within the Planned Community; premiums for insurance as the Declaration or the Bylaws may require the Association to purchase; ad valorem taxes and public assessment charges lawfully levied against Common Elements owned in fee simple by the Association; expenses related to any cablevision-type services or other voice/data services provided to the Owners by the Association; and unpaid Assessments.

"County" means the county or counties in which the Property is located.

"Declarant" means Shearon Farms, LLC, and its successors and assigns specifically designated as Declarant.

"Declarant Control Period" means the period commencing on the date of recordation of this Declaration with the County Registry and continuing until the earlier of: (a) December 31, 2014; (b) the date the Declarant or its successors no longer owns any of the Property; and (c) the Declarant transfers, in writing, the Development Rights to the Association.

"Declaration" means this document and all subsequent amendments, if any.

"Development Rights" means all rights of control and/or approval granted to Declarant, as Declarant, under this Declaration, including, but not limited to, the rights granted under *Articles 4 & 5*.

"Family Members" means the spouse, parents, parents-in-law, brothers, sisters, children, and grandchildren of the designated individual.

"Foreclosure" means, without limitation, the judicial foreclosure of a Mortgage or the conveyance of the secured property by a deed in lieu of foreclosure of a Mortgage.

"Governmental Mortgagee" refers to the Federal Housing Administration, the Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, and related entities.

"Improvements" means any structure of any type or kind, including, but not limited to buildings, townhomes, outbuildings, parking areas, loading areas, refuse collection areas, screening walls, retaining walls, fences, hedges, mass plantings, sidewalks, poles, signs, and utility lines and facilities.

"Law" means any local, state or federal rules, regulations, or laws which may apply to the Planned Community or any Person who maintains an interest in the Planned Community or a Lot, including, but not limited to, the Zoning Entity's ordinances, codes, and regulations.

"Limited Common Elements" means a portion of the Common Elements allocated by this Declaration or by law for the exclusive use of one or more, but fewer than all, of the Lots, and as more specifically described in *Section 3.2*.

"Lot" means any tract of land, with the exception of the Common Areas, designated for separate ownership or occupancy as reflected on the Plat. Unless the context otherwise requires, "Lot" shall include each Lot in Use and each Unsold Lot.

"Lot in Use" refers to a Lot for which Declarant has transferred title to a Person, other than a Person expressly succeeding to Declarant's rights as the Declarant, or although not transferred, for which a certificate of occupancy has been issued by the Zoning Entity.

"Unit Owner" or "Owner" means the record owner, whether one or more Persons, of a fee simple title to any Lot/Townhome Unit, except those having an interest merely as security for the performance of an obligation.

"Majority in Interest" means, with respect to any referenced group of Owners, a combination of any of those Owners who, in the aggregate, own more than fifty percent (50%) of the Allocated Interests owned by all of that referenced group of Owners.

"Master Association" refers to Shearon Farms Master Owners Association, Inc. .

"Master Covenants" refers to the Master Declaration of Covenants and Restrictions for Shearon Farms recorded with the County Register of Deeds, as may be amended from time to time.

"Member" means every Person who holds membership in the Association and shall include both Class A Members and Class B Members, as defined in the Bylaws.

"Mortgage" means a mortgage, deed of trust, installment land sales contract, security agreement or other similar security instrument granting, creating or conveying a first lien upon a Lot.

"Mortgagee" means the holder, insurer or guarantor of a Mortgage.

"Occupants" means any individual(s) in possession of a Lot, including Owners, Family Members, lessees, guests and invitees of such individual(s), and Family Members, guests and invitees of such lessees.

"Person" means an individual, a trust, an estate, or a domestic corporation, a foreign corporation, a professional corporation, a partnership, a limited partnership, a limited liability company, a foreign limited liability company, an unincorporated association, or other entity.

"Planned Community" refers to the residential townhome project located in "Shearon Farms Subdivision" to be constructed on the Property.

"Planned Community Documents" means this Declaration, the Articles of Organization, the Bylaws, the Master Covenants, and the Act, collectively and individually.

"Plat" refers to all recorded plats describing or identifying the Lots and/or Common Areas for the Planned Community (including, but not limited to, that plat described in *Exhibit A* attached), which plat(s) are incorporated into this Declaration by this reference.

"Private Streets" means the streets, if any, designated as "private" on the Plat(s).

"Property" refers to that land located in Wake County, North Carolina and, at least initially, as described on *Exhibit A* attached and otherwise described on the Plat(s), together with the improvements constructed thereon and all appurtenant easements, rights and privileges. "Property" shall also include all Additional Properties, if any.

"Rules & Regulations" means the rules and regulations governing the Project as adopted by the Association Board from time to time.

"Sale to Homeowner" refers to the first sale of a Townhome Unit occurring after the date of the issuance of the certificate of occupancy for that Unit.

"Special Assessments" means the assessments described in *Section 7.5*.

"Super Pad" means a tract of the Property designed to contain two (2) or more Lots as reflected on the Plat.

"Surplus Funds" means funds collected by the Association pursuant to the this Declaration or otherwise which are not needed to pay current Common Expenses, the funding of a reasonable operating expense surplus, or reserves provided for in this Declaration.

"Townhome Unit" means the single family residence and related improvements constructed or to be constructed on a Lot. Except where the context requires otherwise, this term shall be used interchangeably with "Lot".

"Unit Owner" or "Owner" means the record owner, whether one or more Persons, of a fee simple title to any Lot/Townhome Unit, except those having an interest merely as security for the performance of an obligation.

"Unsold Lot" refers to a Lot which is not a Lot in Use.

"Zoning Entity" means the governmental entity having zoning jurisdiction over the Property as of the date of determination.

Except as specifically provided to the contrary above, these defined terms shall be construed in a manner consistent with the comparable definitions included in the Act.

2. SUBMISSION TO ACT. Declarant submits the Property to the provisions of the Act. The Property will be administered in accordance with the provisions of the Planned Community Documents. The Act contemplates that certain of its provisions may be superseded by provisions of Articles of Incorporation, bylaws, a declaration, or other agreement of the Members. It is the intent of the parties that in the event of a conflict among the Planned Community Documents, the Planned Community Documents (other than the Act) shall control and supersede the Act where permitted by law.

3. PROPERTY RIGHTS.

3.1. Common Elements or Common Areas. The "Common Elements" or "Common Areas" consist of all other parts of the Property, exclusive of the Lots themselves, and include, but are not limited to, the following:

- (a) The Property, exclusive of the Lots.
- (b) All areas designated as "open space", "private open space", "common area", "private recreation facility", or "common elements" on the Plat(s).
- (c) The Private Streets, the "20' Private Drainage Easement" areas as designated on the Plat(s), and other access facilities used in common for the Planned Community.
- (d) Improvements (e.g. buildings, landscaping structures, signs, and the like) located on Common Elements, including the Amenities.
- (e) Easements running in favor of the Association described in this Declaration or in separate, recorded easements granted to the Association.
- (f) All equipment and installations existing for common use in the Planned Community which are not otherwise dedicated to a governmental entity or serving only a single Lot, including, but not limited to, water lines, sewer lines, and storm drainage facilities located outside any Zoning Entity utility easement and/or public street right-of-way.

3.2. Limited Common Elements. Limited Common Elements shall mean and include those areas and facilities of the Planned Community, if any, reserved for exclusive use of less than all of the Townhome Units, as identified on the Plat(s) or in this Agreement. Where a Limited Common Element is reserved for a single Townhome Unit (e.g., a deck, porch, patio, courtyard, balcony, garage, and/or storage room appurtenant to a Townhome Unit), that Unit Owner: (i) is granted an exclusive and irrevocable license to use and occupy those Limited Common Elements associated with its Lot; and (ii) shall, at its own expense, be responsible for the maintenance and repair of that Limited Common Element. Where a Limited Common is reserved for more than one (1) Townhome Unit: (i) those Unit Owners are, jointly, granted an exclusive and irrevocable license to use and occupy those Limited Common Elements associated with its Units; and (ii) the Association shall be responsible for the maintenance and repair of those Limited Common Elements and shall assess the applicable Unit Owners, accordingly.

3.3. Title to Common Elements. Every Owner shall have a right and easement of enjoyment in the Common Elements (the "Owners' Easement") which shall be appurtenant to and shall pass with the title to every Lot. Fee simple title (subject to this Declaration, current and subsequent years ad valorem taxes, and rights-of-way, restrictive covenants and easements of record) in the Common Area shall be conveyed to the Association.

3.4. Allocated Interests. The Allocated Interests for each Lot shall be the same and shall be proportionate to the total number of Lots in the Planned Community, as that number may vary from time to time. The Allocated Interests for an individual Lot shall be determined by taking the number one (1) and dividing that number by the total number of Lots included in the Planned Community as of the date of determination. In the event of a withdrawal or addition of Lot(s) from/to the Planned Community as permitted by the Planned Community Documents, the Allocated Interests for all of the Lots shall be recalculated in accordance with the above formula. Except for such reallocations, the Allocated Interests shall not be changed except with the unanimous consent of all of the Owners of all of the Lots and with the consent of all of the Mortgagees.

3.5. Owners' Easement of Enjoyment. Every Owner shall have a right and easement of use and enjoyment in and to the Common Elements (the "Owners' Easement"), including specifically an easement for access, ingress and egress from and to public streets, common parking, and walkways. The Owners' Easement shall be appurtenant to and shall pass with the title to every Lot subject to the following provisions:

3.5.1. Subject to all applicable governmental ordinances, the Association's right to dedicate or transfer all or any part of the Common Elements to any public agency, authority, utility, or non-profit corporation. No such dedication or transfer shall be effective unless an instrument signed by eighty percent (80%) of the Allocated Interests agreeing to the dedication or transfer has been recorded in the County registry. Any dedication or transfer shall be made subject to that portion of the Owners' Easement providing for access, ingress and egress to public streets and walkways.

3.5.2. The Association's right, in accordance with the Planned Community Documents, to borrow money for the purpose of improving the Common Elements and to mortgage those properties to secure those borrowings; provided the mortgage is subordinate to the Owners' Easement.

3.5.3. The Association's right to impose and enforce the Rules & Regulations which may restrict the use and enjoyment of the Common Elements.

3.5.4. The Association and, during the Declarant Control Period, the Declarant shall have the authority to grant and/or establish upon, over, under and across the Common Elements further easements (including, but not limited to those provided in this Declaration) as are required for the convenient use and enjoyment of the Property.

3.5.5. Subject to all applicable governmental ordinances, the right of the Association to charge reasonable admission and other fees for the use of any Amenities.

3.5.6. As provided in *Section 7.7*, the Association's right to suspend the voting rights and the right to use any Amenities by any Owner, his Family Members, guests, etc., for any period during which any assessment against his Lot remains unpaid. The right to use the Amenities may also be suspended for a period, not to exceed one hundred twenty (120) days, for the infraction of its Rules & Regulations; provided; however, that if the infraction is continuing in nature, the suspension may be enforced until such infraction is cured.

3.6. Delegation of Use. Any Owner may delegate, in accordance with the Planned Community Documents, his right of enjoyment to the Common Elements and Amenities to Family Members and tenants who reside at his Townhome Unit and, subject to any applicable Rules & Regulations, to his guests.

3.7. Private Streets. Maintenance of any Private Streets located within the Property shall be the sole responsibility of the Association. In no case shall the Zoning Entity or the State of North Carolina be responsible for maintaining any private street. Such streets shall be maintained in good condition and no

obstruction shall be erected or permitted to remain on such streets. The cost of maintaining such streets is a Common Expense.

3.8. Parking. Each Owner and its guests, in common with the other Owners and their guests, shall be entitled to the non-exclusive use of the automobile parking space(s), if any, located within the Common Elements, together with the right of ingress and egress in and to those parking space(s). The Declarant or Association reserves the right to permanently assign parking spaces for each Lot. Subject to all applicable governmental ordinances and approval of the Zoning Entity, during the Declarant Control Period, Declarant reserves the right to establish additional areas of parking within the Common Elements as Declarant, in its discretion, may determine are needed.

3.9. Interior Alterations. Except as may otherwise be provided in the Planned Community Documents, each Owner shall have the right, exercisable at any time and from time to time, to install, at that Owner's sole cost and expense, that decorations, fixtures, and coverings (including, without limitation, painting, finishing, wall papering, carpeting, pictures, mirrors, shelving, and lighting fixtures) on the surfaces of the walls, ceilings, and floors that face the interior of that Owner's Townhome Unit and to a depth of one inch behind such surfaces for the purposes of installing nails, screws, bolts and the like, and to alter or remove interior walls, in whole or in part, in order to change that Townhome Unit's layout, or to improve the Townhome Unit, provided that no such installation, alteration, removal, or change shall impair the structural integrity of that Townhome Unit or of the Building of which it is a part or violate any Law. The Association reserves the right to regulate the exterior appearance of the window coverings and treatments installed on all Townhome Unit windows.

3.10. Association Access. The Association or its designee shall have the right of access to any Lot during reasonable hours of the day and, in the event of emergencies, at any time: (i) to make inspections, repairs, replacements, or improvements to the Common Elements within a Lot; (ii) to remedy conditions on the Lot itself which could result in damage to other portions of the Building of which the Lot is a part; or (iii) to abate any violation of Law.

4. DEVELOPMENT RIGHTS.

4.1. Development Rights. During the Declarant Control Period, the Declarant reserves the following development rights for the entire Property: (a) to add real estate to the Property in accordance with **Section 5.2** of this Declaration; (b) to add Common Elements; (c) to relocate Unsold Lots within or withdraw real estate from the Property; (d) To construct and maintain any sales office, management office or model on any of the Lots or on any of the Common Elements shown on the Plats; (e) To alter the size of any Unsold Lot, recombine or merge two or more Unsold Lots, and subdivide any Unsold Lot; (f) To convey, or cause to be conveyed, ownership in the Amenities to the Association; (g) Subject to the terms of the Bylaws, to appoint and remove any Association Board member; and (h) other rights described in NCGS §47F-1-103(28).

4.2. Exercise. Declarant, in its sole discretion, and from time to time during the Declarant Control Period, may exercise any or all of the Development Rights. During the Declarant Control Period, no amendment to or modification of the Development Rights may be made without the Declarant's prior, written consent, which it may arbitrarily withhold. After the expiration of the Declarant Control Period any and all Development Rights shall be exercised by the Association's Board or as otherwise designated by the Association.

4.3. Assignment. Declarant reserves the right to assign the Development Rights to any Person which acquires title to all or any portion of the Property. The assignment shall not be effective unless it is in writing (specifically describing the Development Rights being assigned), signed by the Declarant, is accepted, in writing, by the assignee, and recorded with the County registry. If at any time the

Development Rights have expired without an assignment by Declarant, the Declarant will be deemed to have assigned the Development Rights to the Association.

4.4. Delegation. The Declarant may, from time to time, delegate any or all of its Development Rights to such agents as it may nominate and on such terms as it chooses.

5. ANNEXATION OF ADDITIONAL PROPERTIES.

5.1. Annexation by Members. Except as provided in *Section 5.2*, Additional Properties may be added and annexed to the Property only if sixty-seven percent (67 %) of the Allocated Interest approve the annexation.

5.2. Annexation by Declarant. The Declarant may, at any time during the Declarant Control Period and from time to time, annex all or any portion of the Additional Properties to the Property and add additional Lots within those Additional Properties to the Planned Community without the consent of the Members. Declarant shall not be required to annex any particular portion(s) of the Additional Properties or annex them in any particular order. The annexation will be accomplished by the recording of the appropriate Plat and Declaration of Annexation as required by the Act, duly executed by Declarant, describing the lands annexed and Lots created. No other action or consent shall be necessary. Subsequent to recordation of the Declaration of Annexation and new Plat, the Declarant shall deliver to the Association a copy of the recorded Declaration of Annexation and new Plat. Notwithstanding the preceding to the contrary, the Declarant's right to annex additional properties shall be subject to the following restrictions: (a) the Improvements to be included in the annexed property (the "Annexed Improvements"), if any, must be reasonably consistent in design and function to the existing Improvements included within the Property; (b) those Annexed Improvements, if any, must be substantially completed before the annexation is effected; (c) any liens relating to those Annexed Improvements, if any, must not adversely affect the rights of existing Owners or the priority of the Mortgagees; (d) all prior period property taxes and assessments must be paid or otherwise satisfactorily provided for prior to the annexation; and (e) the Governmental Mortgagee(s)' prior written consent, if any Governmental Mortgagee holds, insures or guarantees any Mortgage on an existing Lot.

5.3. Governmental Approval. Notwithstanding the language of *Sections 5.1* and *5.2* to the contrary, any addition or annexation of additional properties must, to the extent legally required, be approved by the Zoning Entity.

5.4. Title to Common Elements. Fee simple title (subject to this Declaration, current and subsequent years ad valorem taxes, and rights-of-way, restrictive covenants and easements of record) in the Common Area included within the Additional Properties annexed into the Planned Community shall be conveyed to the Association.

6. MEMBERSHIP AND VOTING RIGHTS. Ownership of a Lot shall be the sole qualification for membership in the Association. When more than one Person holds an interest in any one Lot, all such Persons shall be Members. The Association's Board may make reasonable rules relating to the proof of ownership of a Lot. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Members shall be entitled to vote as prescribed in the Bylaws. Members of the Association shall also be members of the Master Association as prescribed in the Master Covenants.

7. COVENANT FOR ASSESSMENTS.

7.1. Lien of Assessments.

7.1.1. Each Owner of a Lot by acceptance of a deed therefor (whether or not it shall be so expressed in such deed) is deemed to covenant and agree to pay to the Master Association and to the Association the Assessments as provided in the Master Covenants and in this Declaration, respectively.

In addition to the Annual Assessments and the Special Assessments, the Association shall have the authority, through the Association's Board, to establish, fix and levy an individual assessment on any Lot to secure the liability of that Owner to the Association arising from Owner's breach of any of the provisions of this Declaration. Owners of a Super Pad shall be liable for Assessments under this Declaration for each Lot included or to be included in their Super Pad.

7.1.2. The Assessments shall be set on a calendar year basis (the "Annual Assessment Period") and may be collected on a monthly, quarterly or yearly basis as determined by the Association's Board. Annual Assessments shall be charged to each Owner of a Lot in Use. Special Assessments shall be charged to each Lot without regard as to whether or not it is a Lot in Use. Assessments, together with interest thereon and the costs of collection (including reasonable attorney fees), shall be a lien on the applicable Lot from the due date for the Assessment as provided under the Act, continuing until paid in full, as well as a personal obligation of the person who was the Owner of the Lot at the time when the Assessment became due. While any unpaid amounts shall remain a lien on the applicable Lot, the personal obligation shall not pass to that Owner's successors in title unless expressly assumed by the successor.

7.1.3. No Owner shall be exempted from liability for the payment of Assessments by waiving the use or enjoyment of any or all of the Common Elements or by abandoning its Lot. No Owner shall be entitled to a diminution or abatement in the Assessments for any inconvenience or discomfort arising from: (i) the failure or interruption of any utility or other services; (ii) the making of repairs or improvements to the Common Elements or any Lot; or (iii) any action taken by the Association Board or the officers of the Association to comply with Law.

7.1.4. All Lots dedicated to and accepted by a local public authority and the Common Elements shall be exempt from the Assessments.

7.2. Purpose of Assessments. The Assessments shall be used exclusively for funding all Common Expenses (as previously defined), costs, expenses, damages, repairs and liabilities reasonably incurred by the Association in fulfilling the purposes of this Declaration, and reserves for these purposes.

7.3. Notice/Due Dates. Written notice of a Special Assessment or a change in the Annual Assessment shall be sent to every Owner subject thereto at least fifteen (15) days in advance of its due date. The due date for an Assessment shall be established by the Association's Board, in the case of an Annual Assessment, or by the Owners, in the case of a Special Assessment. The Association shall, within ten (10) business days of a written demand for such, furnish a certificate in writing signed by an officer of the Association setting forth whether the Assessments on a specified Lot have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. These certificates shall be conclusive evidence of payment of any Assessment as to third parties acting in reliance on the statement.

7.4. Annual Assessments.

7.4.1. The Annual Assessments shall commence as of the date declared by the Association's Board (the "Commencement Date"). Until that time, the Declarant shall pay all Common Expenses. All Lots in Use as of that date the Association's Board commences the Annual Assessments shall begin paying Annual Assessments. Thereafter, Annual Assessments shall commence as to a Lot as of the date it becomes a Lot in Use and shall continue thereafter for so long as this Declaration remains in effect or this provision is subsequently amended. Notwithstanding the preceding to the contrary, until a certificate of occupancy has been issued for the Townhome Unit constructed on a Lot, the Owner shall pay twenty-five percent (25%) of the Annual Assessment. Liability for the Annual Assessment for the first calendar year shall be adjusted according to the number of days remaining in that calendar year as of the date the Lot becomes a Lot in Use. Annual Assessments, in the amount determined under **Section 7.4.2**, shall be charged to each Owner of a Lot in Use.

7.4.2. On or before January 1st of each year, the Association's Board shall adopt a proposed budget. This proposed budget shall include all anticipated revenues (including revenues from Annual Assessments to be charged in the next Annual Assessment Period), the anticipated Common Expenses for the Association for that same period, and any surplus or deficit in the Annual Assessments from the prior years. Within thirty (30) days after adoption of any proposed budget, the Association Board shall send each Owner a copy of that proposed budget and notice of a scheduled meeting of Owners to consider its ratification. The date of that meeting shall be not less than ten (10) nor more than thirty (30) days following mailing of the notice of the meeting. The budget shall be deemed ratified unless ninety percent (90%) of the Allocated Interests of all of the Lots in Use vote to reject the budget at that meeting. If the proposed budget is not ratified, the annual budget last ratified by the Unit Owners shall continue until such time as a subsequent budget is ratified by the Unit Owners. There shall be no requirement that a quorum be present at the meeting. The Approved Budget shall be the basis for calculating the Annual Assessment to be charged for each Lot in Use for the upcoming Annual Assessment Period. Upon adoption of the Approved Budget, the Association Board shall calculate the amount of the Annual Assessments for each Owner of a Lot in Use and send a notice of that amount to each Owner of a Lot in Use as required under this Declaration. The failure or delay of the Association Board to prepare or adopt a budget or to determine the Common Expenses for any Assessment Period shall not be deemed a waiver, modification or release of the Owners' obligation to pay Assessments. In such event, the Annual Assessments that were computed on the basis of the Common Expenses for the last Assessment Period shall continue to be the Annual Assessments payable by the Owners until a new Approved Budget is ratified by the Unit Owners.

7.4.3. After the Commencement Date, Declarant may, but shall not be obligated to, loan the Association money to the extent that Annual Assessments paid by the Owners are inadequate. This advance shall be to the Association and on terms generally available to Declarant from its lending institution. Declarant, if also an Owner, shall also be responsible for the payment of Assessments as otherwise required by this Article.

7.5. Special Assessments. In addition to the Annual Assessments, the Association may, from time to time, levy a special assessment (the "Special Assessment") for the purpose of defraying in whole or in part the cost of any unexpected expense. A Special Assessment may be assessed at a meeting duly called for this purpose upon the vote of Owners holding not less than sixty-seven percent (67%) of the Allocated Interests of all of the Lots. An Owner's pro rata share of each Special Assessment shall equal its Allocated Interests percentage. A Special Assessment shall be collected from those Owners of Lots which exist as of the date the Special Assessment is approved by the Members.

7.6. Initial Assessment. At the closing of the Sale to a Homeowner, in addition to the Annual Assessment otherwise due for the remainder of the then current payment period, an amount equal to two months' worth of the then current Annual Assessment (the "Initial Assessment") shall be collected from the Owner or purchaser of the subject Townhome Unit and paid to the Association. The Initial Assessment shall not constitute advance payments of Annual Assessments, but shall nevertheless be used by the Association in the manner specified for Annual Assessments.

7.7. Fines/Suspensions. The Association's Board, after a hearing as required under the Act and/or Bylaws, may impose fines against any Lot and/or suspend a Member's privileges for a failure to comply with the Declaration or Rules & Regulations. These fines shall be collected and enforced as an Assessment otherwise due to the Association from that Owner. Fines shall be paid not later than thirty (30) days after notice of the fine is given to the offending Owner. These fines shall not be construed to be exclusive and shall be in addition to all other rights and remedies to which the Association may be otherwise legally entitled. The amount of any fine imposed shall be determined by the Association's Board; but, shall not, in any event, exceed One Hundred Fifty Dollars (\$150.00) per day for each day of continued violation or non-compliance. Such fines shall be assessments secured by liens as provided under the Act.

7.8. Uniform Rate of Assessment. Both Annual Assessments and Special Assessments must be fixed at a uniform rate for all Lots in Use or Lots, as the case may be, subject to the following:

(a) the Association's Board may levy an individual assessment on any Lot to secure the liability of that Owner to the Association arising from that Owner's breach of any of the provisions of this Declaration or the Rules and Regulations.

(b) Any Common Expense or portion thereof benefitting fewer than all of the Lots shall be assessed exclusively against those Lots benefitted.

(c) Assessments to pay a judgment against the Association may be made only against the Lots in the Planned Community at the time the judgment was entered, in proportion to their Allocated Interests.

(d) If any Common Expense is caused by the negligence or misconduct of any Owner or Occupant, the Association may assess that expense exclusively against that Owner's Lot.

(e) If Allocated Interests are reallocated, Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Allocated Interests.

(f) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be equally assessed against the Lot(s) to which that Limited Common Element is assigned.

Notwithstanding the preceding to the contrary, it is a part of the original plan of the development to construct a variety of townhomes with a variety of exteriors for the good of the entire Planned Community. As a result, some townhomes will require more maintenance than others because of the type of exterior exposures. Nevertheless, it is believed that all Members will be benefitted by the variety of exteriors and therefore the Association should provide exterior maintenance and make a uniform rate of charge without regard to differences in the cost of maintenance of each Townhome Unit.

7.9. Non-Payment of Assessment Remedies of the Association. Any Assessments which are not paid when due shall be delinquent. The Association shall have the option to declare the entire outstanding balance of any Assessment immediately due and payable if any installment thereof becomes delinquent. If the Assessment is not paid within thirty (30) days after the due date, the assessment shall incur a late charge in the then applicable amount fixed by the Association's Board, shall bear interest from the date of delinquency at the lesser of the rate set by the Association's Board (if one has been set) or eighteen percent (18%) per annum, and shall constitute a lien on that Lot when a claim of lien is filed of record as provided under the Act. The Association may bring an action at law against the responsible Owner and/or foreclose the lien against the applicable Lot in like manner as a mortgage on real estate under power of sale under Article 2A of Chapter 45 of the General Statutes. Interest, costs, late charges, fines, and reasonable attorney fees incurred in enforcement of the lien shall be added to the amount of the delinquent Assessment. Each Owner, by the acceptance of a deed to a Lot, expressly vests in the Association, its agents or assigns, the right and power to bring all actions against the Owner, personally, for the collection of all debts due by it to the Association and to enforce the lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage or a deed of trust lien on real property in accordance with Article 2A of Chapter 45 of the General Statutes. Each Owner also expressly grants to the Association a power of sale in connection with foreclosure of a lien for Assessments. The lien provided for in this Article shall be in favor of the Association acting on behalf of the Owners, which shall have the power to bid in at foreclosure and to acquire and hold, lease, mortgage and convey the foreclosed Lot. No Owner may waive or otherwise escape liability for Assessments by non-use of the Common Elements or abandonment of his Lot. This Section does not prohibit other actions to recover the sums due from an Owner nor prohibit the Association from taking a deed in lieu of foreclosure.

7.10. Subordination of the Lien. The lien of the Assessments shall be subordinated to the lien of the Mortgage on a Lot. Provided the Association is given prior written notice of such, the sale or transfer of a Lot pursuant to a Foreclosure shall extinguish the lien of the delinquent Assessments for that Lot. Otherwise, the sale or transfer of a Lot shall not release or otherwise affect the lien of delinquent Assessments; provided, that no Owner shall be liable for the payment of any part of any Assessments assessed against its Lot subsequent to a sale, transfer, or other conveyance by it of that Lot. In no event, however, shall any sale or transfer, whether pursuant to a Foreclosure or not, relieve the prior Owner from personal liability for the delinquent Assessments or the Lot from liability for any Assessments subsequently becoming due or from the lien therefor.

7.11. Exempt Property. All Lots dedicated to and accepted by a local public authority and the Common Elements shall be exempt from the Assessments.

7.12. Surplus Funds. Except as determined by the Association Board from time to time, Surplus funds shall not be distributed to the Owners, pro rata, in accordance with their respective Allocated Interests or be used as a credit against each Owner's future Assessments.

8. PARTY WALL.

8.1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Townhome Unit and placed on the dividing line between the Townhome Units and all reconstruction or extensions of such walls shall constitute party walls. To the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls, lateral support, in-belowground construction and of liability for property damage due to negligence or willful acts or omissions shall apply.

8.2. Sharing of Repair and Maintenance. 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.

8.3. Destruction by Fire or other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it. If other Owners make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use; subject, however, to the right of any Owners to call for a larger contribution from the others under any rule of law regarding liability for negligence or willful acts or omissions.

8.4. Construction or Reconstruction. The Owner may construct or reconstruct a party wall subject to and within the limitations of architectural control and other limitations of this Declaration with the right to go upon the adjoining Lot to the extent reasonably necessary to perform the construction. The construction shall be done expeditiously. Upon completion of the construction, the Owner shall restore, as is reasonably practicable, the adjoining Lot to as near the same condition which prevailed on or before the commencement of the construction.

8.5. Weatherproofing. Notwithstanding any other provisions of this Article, an Owner who, by his negligence or willful act, causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against those elements.

8.6. The Right to Contribution Runs with the Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to the Owners' successors in title.

8.7. Contribution Certification by Adjoining Unit Owner. If any Owner desires to sell his Lot, he may, in order to assure a prospective purchaser that no adjoining Owner(s) has a right of contribution as provided in this Article, request that the adjoining Owner(s) provide a certification that no right of contribution exists. It shall be the duty of each adjoining Owner to make such certification immediately

upon request and without charge; provided, however, that where the adjoining Owner claims a right of contribution, the certification shall contain a recital of the amount claimed. In the event an adjoining Owner refuses or neglects to provide such certification, it shall be deemed a waiver to proceed against such Owner or his successors for any contributions which may have accrued to that date.

9. MAINTENANCE.

9.1. Exterior/Common Element Maintenance Responsibility.

9.1.1. Except as specifically assigned to an Owner elsewhere in this Declaration, the Association shall be responsible for the repair, replacement, and maintenance of the following: (a) the Common Elements including, but not limited to, any recreation areas, parking areas, and walks; (b) all exteriors of the Townhome Units, including, but not limited to exterior building surfaces, roofs, gutters and downspouts; and (c) all landscaped areas included within the Common Elements and Lots, except those landscaped areas located within a Lot which were installed/planted by a Unit Owner other than the Developer. An Owner shall not place any furniture, place or construct any Improvements, or plant any vegetation within its Lot, except with the prior approval required by *Article 13*. After receiving the required approval, the Owner may install/plant such Improvements/vegetation and shall be solely responsible for the maintenance of such. No such maintenance by an Owner shall reduce the assessment payable by him to the Association. If, in the opinion of the Association, any Owner fails to maintain his Lot in a neat and orderly manner as required in this Section, the Association may perform the required maintenance and assess Owner for those costs.

9.1.2. In the event that the need for maintenance or repair to the Common Elements is caused through the willful or negligent act of the Owner, his Family Members, guests tenants, contractors, agents or invitees, the cost of such maintenance or repair shall be added to and become a part of the Assessment to which the Townhome Unit is subject. In the event that the need for maintenance or repair to a Lot or a Townhome Unit is caused through the willful or negligent act of the Association or its contractors, employees, or agents, the cost of such maintenance or repair shall be recoverable from the Association. Notwithstanding the preceding to the contrary, a hearing as required under the Act and/or Bylaws shall be conducted prior to assessing any liability under this Section. A claim for reimbursement of damages shall be limited to the jurisdictional amount established for small claims by G.S. 7A- 210. When such claim exceeds that jurisdictional amount, liability of any Owner charged or the Association shall be determined as otherwise provided by law. In either case, liabilities of Owners shall be assessments secured by lien as provided under the Act and liabilities of the Association 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 Owner's Lot.

9.1.3. The Association shall establish regulations governing the procedure for exterior maintenance. In the event any Owner desires to expend a sum greater than that sum authorized by the Association, he/she shall advance to the Association, prior to the commencement of work an amount necessary to cover the additional expenses and a lien shall be established against the Owner's Lot for any deficiency.

9.2. Interior/Limited Common Element Maintenance. Maintenance, upkeep, and repairs of: (i) the landscaped areas within the boundaries of the Lot installed by someone other than the Developer; (ii) any Limited Common Elements (including, but not limited to, patios, decks, and porches) serving a single Townhome Unit; and (iii) screens and screen doors, exterior doors, windows, window fixtures and other related hardware shall be the sole responsibility of the individual Unit Owner and not in any manner the Association's. All fixtures and equipment installed with a Townhome Unit commencing at a point where the utility lines, pipes, wires, conduits, or systems are within the Townhome Unit's exterior walls, including the courtyards, shall be maintained and kept in repair by its Owner. An Owner shall do anything that will impair the structural soundness or integrity of another Lot or Townhome Unit, nor impair any easement or hereditament, nor do any act or allow any condition to exist which will adversely affect the

other Lots or their Owners. Nothing shall be done in any Lot or in, on, or to the Common Elements that will impair the structural integrity of the Property or will structurally change the Building of which the Townhome Unit is a part, except as is otherwise provided in this Declaration. In no event shall interior partitions contributing to the support of any Townhome Unit or the Common Elements be altered or removed. All private utility systems and foundation drainage systems (other than those serving a single Lot) located outside the exterior walls and/or within the Common Elements shall be maintained by the Association. All public utility systems located outside the exterior walls and/or within the Common Elements shall be maintained by the appropriate utility company or governmental authority.

10. INSURANCE/CONDEMNATION.

10.1. Association Coverage.

10.1.1. Commencing not later than the time of the First Sale, the Association Board shall obtain and maintain, to the extent available, covering the interest of the Association, the Association Board, and all Owners and their Mortgagees, as their interests may appear:

(a) Property insurance on the Common Elements insuring against all risks of direct physical loss commonly insured against including fire and extended coverage perils. The total amount of insurance after application of any deductibles shall be not less than full 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. This coverage shall not, however, include any improvements or betterments installed by an Owner or any of the personal property belonging to an Owner whether or not located inside a Lot.

(b) Liability insurance in reasonable amounts, 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 the Common Elements.

If the insurance described above is not reasonably available, the Association promptly shall cause notice of that fact to be sent to all Owners. Insurance policies carried pursuant to Section shall provide that: (i) Each Owner is an insured person under the policy to the extent of the Owner's insurable interest; (ii) The insurer waives its right to subrogation under the policy against any Owner or member of the Owner's household; (iii) No act or omission by any Owner, unless acting within the scope of the owner's authority on behalf of the Association, will preclude recovery under the policy; (iv) If, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the Association's policy provides primary insurance; and the insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or non-renewal has been mailed to the Association, each Owner, and each Mortgagee to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

10.1.2. The Association Board may also obtain and maintain (in amounts to be determined by it): (1) fidelity insurance covering all members of the Association Board, officers, or employees of the Association who handle funds of the Association; (2) workmen's compensation insurance; and (3) such other insurance coverages as it deems desirable and necessary. The commercial general liability insurance shall not, however, cover the liability of an Owner arising from an occurrence within its own Lot.

10.1.3. The proceeds of all policies of physical damage insurance shall be payable to the Association to be applied for the purpose of repairing, restoring, or rebuilding the Common Elements, as applicable, unless otherwise determined by the Owners, as provided below, and the Association Board shall arrange for such repair or work. Owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the Planned Community is terminated. If the insurance proceeds are insufficient to

cover the cost of such work, the balance of the cost will be assessed among all Owners in proportion to their respective interests in the Common Elements.

10.1.4. All policies of physical damage insurance shall contain waivers of subrogation and of any reduction of pro rata liability of the insurer as a result of any insurance carried by Owners or of any invalidity arising from any acts of the insured or any Owners and shall provide that such policies may not be canceled or substantially modified without at least thirty (30) days' prior written notice to the named insured, including all first Mortgagees of Lots.

10.2. Owner's Coverage. It shall be the responsibility of each Owner, at his own expense, to obtain hazard insurance in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of damage or destruction to his Townhome Unit from any hazard. These policies shall: (i) name the Association as an additional insured; (ii) contain waivers of subrogation and of any reduction of pro rata liability of the insurer as a result of any insurance carried by Association or of any invalidity arising from any acts of the Association or any other Owners; and (iii) shall provide that such policies may not be canceled or substantially modified without at least thirty (30) days' prior written notice to the Association. Each Owner shall satisfy the Association's Board that at all times his property is covered by the required hazard insurance.

10.3. Repair/Reconstruction.

10.3.1. In the event of damage to an Owner's property, the Owner shall contract to rebuild or repair such damaged portions of the property in as good condition as formerly. In the event that more than fifty percent (50%) of the Townhome Unit is destroyed or damaged (as determined on a relative value basis; i.e., the costs of repairs versus the then current tax value), the Owner, in its discretion, may elect to demolish the Townhome Unit and restore the Lot; provided that that demolition/restoration is completed within one hundred fifty (150) days of the date of the casualty. In the event the Owner fails to promptly commence and thereafter diligently pursue the required repair/rebuilding or demolition/restoration, as the case may be, the Association's Board, upon obtaining the required Member approval, shall have the power to: (i) rebuild/repair the property and charge the Owner for all reasonable and necessary costs incurred in completing that construction; or (ii) demolish the Townhome Unit and restore the Lot and charge the Owner for all reasonable and necessary costs incurred in completing that demolition/restoration; or (iii) purchase the Owner's property and repair/rebuild that property, in which case it shall levy a Special Assessment against all Members to pay the purchase price and the costs of repairing and/or rebuilding. In the event the Association exercises its repair/rebuild rights under this Section, the Association shall be entitled to receive and use any and all insurance proceeds payable under the policy required under *Section 10.2* to the extent necessary to repair/rebuild the damaged property.

10.3.2. In the event of damage to any property covered by insurance written in the name of the Association, the Association's Board shall, with concurrence of the Mortgagee, if any, upon receipt of the insurance proceeds, contract to rebuild or repair the damage to as good condition as formerly. In the event the insurance proceeds are insufficient to pay all of the costs of repairing and/or rebuilding to the same condition as formerly, the Association's Board shall, upon obtaining the required Member approval, levy a Special Assessment against all Members to make up any deficiency. Notwithstanding the preceding to the contrary, such repair or replacement shall not be undertaken if: (i) the Planned Community is terminated as provided under the Planned Community Documents; (ii) repair/replacement would be prohibited by any Law; or (iii) except as otherwise required by Law, if eighty percent (80%) or more of the Owners (including all of the Owners of the damaged Townhome Units and/or Limited Common Elements) vote not to repair/replace the damage. In that event the entire Planned Community is not repaired/replaced, the insurance proceeds shall be used/distributed in accordance with the requirements of the Act.

10.3.3. Each Owner shall nevertheless be liable for the expense of any maintenance, repair, or replacement rendered necessary by its act, neglect, or carelessness, to the extent that such expense is not

met by the proceeds of insurance carried by the Association Board. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy, or abandonment of a Lot or its appurtenances. This subsection shall not, however, be construed so as to modify any waiver by insurance companies of rights of subrogation.

10.4. Ownership/Proceeds. All contracts of insurance purchased by the Association shall be for the benefit of the Association, the Owners, and their respective Mortgagees, if any, as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee. The sole duty of the Association as insurance trustee shall be to receive any proceeds as are paid and to hold them in trust for the purposes stated in this Declaration. The proceeds received by the insurance trustee shall be distributed to or for the benefit of the appropriate beneficiary(ies) as required by the Planned Community Documents.

10.5. Premiums. Premiums for contracts of insurance purchased by the Association shall be paid by the Association and shall be included in Common Expenses.

10.6. Prohibited Acts. No Owner shall do or keep anything on the Property which shall cause an increase in the premiums for or the cancellation of any insurance maintained by the Association.

10.7. Condemnation.

10.7.1. In the event of a taking in condemnation or by eminent domain of part or all of the Common Elements, the award made for such taking shall be payable to the Association. If seventy five percent (75%) or more of the Owners (with the written approval of the applicable Mortgagees) duly and promptly approve the repair and restoration of such Common Elements, the Association Board shall arrange for the repair and restoration of such Common Elements and shall disburse the proceeds of such award to the contractors engaged in such repair and restoration in appropriate progress payments. In the event that seventy five percent (75%) or more of Unit Owners do not duly and promptly approve the repair and restoration of such Common Elements, or if the award exceeds the cost of such repair or restoration, the Association Board shall disburse the net proceeds among all Owners in proportion to their respective Allocated Interest. As used in this Section, the words "promptly approve" shall mean not more than sixty (60) days from the date of such taking.

10.7.2. If a Lot is acquired by eminent domain or if part of a Lot is acquired by eminent domain leaving the Owner with a remnant which may not practically or lawfully be used for any purpose permitted by the Declaration, the award shall compensate the Owner for his Lot and its interest in the Common Elements. Upon acquisition, unless the decree otherwise provides, the Allocated Interests are automatically reallocated to the remaining Lots, exclusive of the Lot taken. Any remnant of a Lot remaining after part of a Lot is taken under this subsection shall thereafter part of the Common Elements.

10.7.3. Any portion of a condemnation award attributable to the acquisition of a Limited Common Element shall be apportioned among the owners of the Lots to which that Limited Common Element was allocated at the time of acquisition based on their relative Allocated Interests before the taking.

11. EASEMENTS.

11.1. Association Easements. An easement is granted to the Association and its designees to enter in or to cross over the Common Elements and Lots to the extent reasonably necessary to perform its obligations under this Declaration or the Act. Every Lot shall be subject to an easement for entry by the Association and its designees for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any Lot and that endangers any improvement or portion of the Common Elements. In addition to those easements described in the following subsections, the Declarant (during the Declarant Control Period) and the Association shall have the right to subject the Property to easements

which it reasonably deems beneficial to the development and/or operation of the Planned Community. The cost of maintaining these easements shall be a Common Expense.

11.2. Utility Easements. The Declarant reserves unto itself and the Association a perpetual, nonexclusive alienable, and releasable easement and right, on, over and under the Property to erect, maintain, and use poles, wires, cables, conduits, lines, drainage ways, sewers, water mains, and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water drainage, cablevision, or other public conveniences or utilities on, in or over those portions of the Property as may be reasonably required to serve the Lots. Notwithstanding such, no sewers, electrical lines, water lines, or other utility equipment or facilities may be installed or relocated in the Common Elements except as approved by the Declarant or, after the end of the Declarant Control Period, the Association. Should any utility furnishing a service covered by this general easement request a specific easement by separate recordable documents, Declarant or, after the end of the Declarant Control Period, the Association will have the right and authority to grant such easement. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation to maintain reasonable standards of health, safety, and appearance. Such rights may be exercised by any licensee of the Declarant. This reservation shall not create any obligation on the part of the Declarant to provide or maintain any such utility or service. Whenever possible, utilities within the Property, whether located within the Common Elements or not, shall be installed and maintained underground. The easement provided for in this Article shall in no way affect other recorded easements on the Property.

11.3. Temporary Construction Access and Disturbance Easement. A temporary construction easement over, through and to the Property is reserved and established in favor of Declarant for purposes of ingress, egress, regress, conduct of construction activity, storage of construction materials and the necessary disturbance of land for the initial construction contemplated for the Planned Community. This easement shall be used only as and when necessary to facilitate the construction of improvements at any time on a Lot by Declarant, as well as the extension of driveways, sidewalks, underground drainage and utility conduit and hookups to any dwelling structure in the Planned Community. Following construction, disturbed areas will be stabilized and restored to the extent reasonably practical.

11.4. Repair, Maintenance and Reconstruction Easement.

11.4.1. The Association shall have a perpetual access easement over the Common Elements and Lots to the extent reasonably necessary to perform repair, maintenance, replacement or reconstruction obligations under this Declaration or the Act. The repair, maintenance or reconstruction shall be done expeditiously and, upon completion of the work, the Association shall, at its expense, restore, to the extent reasonably practical, the Lot and adjoining Lots to as near the same condition as that which existed prior to the commencement of the work. Should the Association fail to restore the Lots as required, the affected Owner(s) may, at the Association's expense, complete the required restoration.

11.4.2. Each Owner shall have a perpetual access easement over the adjoining Common Elements and Lots to the extent reasonably necessary to perform repair, maintenance or reconstruction of his Lot. The repair, maintenance or reconstruction shall be done expeditiously and, upon completion of the work, the Owner shall, at its expense, restore, to the extent reasonably practical, the adjoining Common Elements and Lots to as near the same condition as that which existed prior to the commencement of the work. Should the Owner fail to restore the Common Elements and Lots as required, the adjoining Unit Owner and/or Association may, at the other Unit Owner's expense, complete the required restoration.

11.4.3. The easement granted under this *Section 11.4* shall be restricted to that Common Elements and/or adjoining Lots which shall be reasonably servient and proximate to the Lot(s) upon which the construction is taking place.

11.5. Easement for Minor Encroachments. All Lots and the Common Elements shall be subject to a perpetual easement for the encroachment of the initial Improvements constructed to the extent that such initial Improvements actually encroach. These authorized encroachments shall include, but not be limited to, such items as overhanging eaves, roofs, gutters, downspouts, exterior storage rooms, bay windows, stoops, decks, patios, porches, steps and walls. In the event a Building is partially or totally destroyed and then rebuilt, the Owners of the Lots so affected agree that minor encroachments of part of the adjacent Lots or Common Elements due to construction shall be permitted and that a valid easement for this encroachment and the maintenance thereof shall exist.

11.6. Drainage Easement. For a period of twenty (20) years from the date of this Declaration, the Declarant reserves an easement over and under the Property to maintain and to correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or take any other similar action reasonably necessary. After such action has been completed, the Declarant shall restore the affected property to its original condition to the extent practicable. Declarant shall give the Association thirty (30) days' advance written notice of Declarant's intent each time it plans to exercise its rights pursuant to this **Section 11.6**. In addition, Declarant establishes and/or reserves in the name of the Association and for the benefit of each Owner, a perpetual, non-exclusive easement over the various "20' Private Drainage Easement" areas described on the Plat.

11.7. Governmental Easements. Declarant reserves an easement for the benefit of the appropriate governmental entity over the Common Elements, existing now or in the future, for the setting, removal, and reading of water meters, the maintenance and replacement of water, sewage, and drainage facilities and the collection of garbage. An easement is also granted to all police, fire protection, garbage, mail delivery, ambulance, and all similar persons to enter upon the Community's streets and the Common Elements in the performance of their duties.

12. LAND USE REGULATIONS.

12.1. Uses. Notwithstanding the uses otherwise permitted by the Zoning Entity's applicable zoning code and unless otherwise permitted by this Declaration, use of each Lot shall be strictly limited to single family residential purposes and those other purposes expressly permitted by this Declaration. Upon the prior written consent of Declarant (during the Declarant Control Period) or Association Board, which consent may be arbitrarily withheld, any Lot may be used as a professional office or for any other purpose. Even if such other use is permitted, each Owner shall nevertheless is required to comply with all other restrictions of this Declaration and the Laws. Notwithstanding anything in this Section or the Planned Community Documents to the contrary, Declarant may, without the consent of the Association Board or other Owners: (i) use any Unsold Lots as model Lots and offices for the selling, renting, management, operation, and promotion of the Unsold Lots or for any other purpose, subject only to compliance with Law; and (ii) lease any Unsold Lots to third parties for their occupancy.

12.2. Occupancy. The number of Occupants in each Townhome Unit shall not exceed: (i) the Family Members of one family only; or (ii) two (2) individuals unrelated by blood or marriage per bedroom designated for that Townhome Unit. No transient tenants may be accommodated; provided, however, that the guests and invitees of Occupants and their lessees may reside in any one Townhome Unit for a maximum period of thirty (30) days per calendar year. A Townhome Unit owned or leased by a corporation, partnership, fiduciary, or any other entity may be occupied by an officer, director, partner owner, beneficiaries, or employees of such entity, or by Family Members or guests of any of the foregoing.

12.3. Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept in the Lots, except that a maximum of two (2) domesticated, household pets may be kept in any one Lot, provided that in no event shall any pet be maintained for commercial purposes and that no pet weighing more than one-hundred (100) lbs. shall be permitted.

12.4. Garbage. All garbage, trash, or rubbish shall be regularly removed from the Lot and shall not be allowed to unreasonably accumulate; but shall only be put at curbside for pickup on the regularly scheduled dates.

12.5. Leasing. No Townhome Unit or portion thereof shall be leased for transient or hotel purposes. An Owner may nevertheless lease the entire Townhome Unit; provided that: (i) each lease must be in writing, must be for a period of not less than one (1) year, and must provide that it is subject to this Declaration and the Bylaws and that any failure by a tenant to comply with such shall be a default under the lease; and (ii) all leasing/management activities for the Townhome Unit to be leased must be conducted through the management company designated for that purpose by the Association. The Owner shall promptly provide the Association with copies of any and all leases entered into by the Owner. In no event, however, shall a portion of a Townhome Unit (as opposed to the entire Townhome Unit) be sold, conveyed, leased, or subleased.

12.6. Drapes, Blinds, Etc. The side of all, drapes, blinds, and/or other window treatments which is visible from the exterior of a Townhome Unit shall be white or neutral in color.

12.7. Utility Devices. Except as required by Law, no exterior television or radio antennas, satellite dishes or solar panels or other utility devices, of any sort shall be placed, allowed or permitted upon any portion of the exterior of the Townhome Units without the prior written approval and the authorization of the Declarant (during the Declarant Control Period) or the Association Board. The Declarant and the Association, for the common benefit of the Owners, reserves the right to install within the Property such utility devices necessary to provide cable TV or similar services.

12.8. Business/Obnoxious Activity. Except as contemplated by *Section 12.1*, no business activity of any kind or any obnoxious or offensive activity shall be carried on the Property, nor shall anything be done which may be or may become a nuisance or annoyance to the neighborhood. Nor shall the Property be used in any way or for any purpose which may endanger the health or unreasonably disturb an Owner or his tenants or invitees. Except as otherwise specifically authorized by the Association, no "for sale" or "for rent" signs exceeding four (4) square feet in area, advertising signs, billboards, political signs, unsightly objects, or nuisances shall be erected, placed or permitted to remain on the Property, and in no event in the Common Elements. Notwithstanding any provision in this Article to the contrary, during the period of development and sale of the Lots, Declarant is permitted, subject to the Laws, to maintain such facilities and conduct such sales activities as Declarant deems reasonably required, convenient, or incidental to the development and sale of the Lots. These facilities/activities shall include but not be limited to sales tours, sales parties and promotions at the Amenities, a business/sales office, storage area, construction yards, model units, and signs. During the Control Period, this provision shall not be amended or revoked without the Declarant's written consent.

12.9. Vehicles. No boats, recreation vehicles, campers, motorcycles, tractors, trucks (other than one pick-up truck rated one-half ton or less), or trailers (the "Vehicles") of any Occupant shall be parked within the Common Elements, or, except as permitted by Law, within the right-of-way of any street in or adjacent to the Planned Community. All Vehicles shall be stored either within the Owner's garage or other facilities not located on the streets in the Planned Community.

12.10. Tanks. Other than hot tubs or similar devices approved by the Architectural Committee, no above or below-ground tanks or pools will be permitted for the storage of fuel or water or any other substance. The installation of such tanks shall be subject to reasonable screening requirements established by the Architectural Committee.

12.11. Lawn Ornaments. No decorative lawn ornaments shall be placed on any Lot without the prior written approval of the Architectural Committee.

12.12. Parking. Adequate off-street parking shall be provided by the Owner of each Lot for the parking of automobiles and Vehicles owned by its Occupants. Occupants shall not be permitted to park their automobiles and Vehicles on the streets or Common Elements in the Planned Community.

12.13. Subdivision/Recombination. Lots may not be subdivided or recombined without the Association Board's prior written approval, which may be arbitrarily withheld, or, in any event, where otherwise prohibited by the Laws.

12.14. Governmental Regulations. Each Owner shall comply with all Laws applicable to its Lots and/or Common Elements. In the event of any conflict between any provision of such Laws and any provision of this Declaration, the more restrictive provision shall apply.

12.15. Additional Restrictions. The Declarant (during the Declarant Control Period) and thereafter, the Association or the Association's Board shall have the power to formulate, amend, publish and enforce other reasonable rules and regulations concerning the architectural control and use of the Property.

12.16. Use of Common Elements. The Common Elements shall be used only for the furnishing of the services and facilities and for the other uses for which they are reasonably intended and which are incident to the use and occupancy of the Lots. No Owner may construct, install, place, store or otherwise maintain any improvements or personal property on or within the Common Elements. Notwithstanding the preceding or anything in this Declaration to the contrary, Declarant shall have the right, without charge or limitation and so long as there are any Unsold Lots, to: (i) erect and maintain signs of any size or content determined by Declarant on or about any portion of the Common Elements or on the exterior walls of a Building ; (ii) have its employees, contractors, subcontractors, and sales agents present on the Property; (iii) complete any work or repairs to a Building expressly undertaken by Declarant; and (iv) do all things necessary or appropriate, including the use of the Common Elements, to sell, lease, manage, or operate Unsold Lots and to comply with Declarant's obligations under the Planned Community Documents. In no event, however, shall Declarant be entitled to use any Common Elements in such a manner as will unreasonably interfere with the use of any Lot for its permitted purposes or violate any Law.

12.17. Waiver. Notwithstanding anything above to the contrary, the Declarant (during the Declarant Control Period) or the Association's Board shall have the right, in the exercise of their reasonable discretion, to waive one or more violations of the requirements of this Article. No waiver shall be effective unless in writing and nevertheless shall not operate as a waiver of any other requirement respecting the Lot in question or any other Lots subject to this Declaration. No waiver shall be effective if it shall cause the Lot or structures thereon to be in non-conformance with any Law.

13. ARCHITECTURAL COMMITTEE/ARCHITECTURAL CONTROL.

13.1. Members. The Architectural Committee shall initially consist of one (1) or more persons designated by the Declarant. As of the end of the Declarant Control Period (or earlier if the Declarant shall surrender this right in a written instrument in recordable form executed by Declarant), the Declarant shall be deemed to have assigned to the Association the rights, powers, duties and obligations of the Architectural Committee. Upon this assignment, the Board shall appoint three (3) or more persons as the members of the Architectural Committee. Before the end of the Declarant Control Period, this provision shall not be amended or revoked without the Declarant's prior written consent.

13.2. Powers. The Architectural Committee shall have the right to refuse to approve any plans and specifications for Improvements proposed to be constructed on a Lot (the "Plans & Specifications") which are not suitable or desirable, in its sole discretion, for aesthetic or any other reasons, provided such approval is not unreasonably withheld. In approving or disapproving Plans & Specifications, the Architectural Committee shall consider the purposes of the Declaration as discussed in the Recitals,

including the suitability of the proposed Improvements and materials to be used in those Improvements, the site upon which it is proposed to be erected, and the effect of the Improvements on adjacent or neighboring property. There is specifically reserved unto the Architectural Committee the right of entry and inspection upon any Lot for the purpose of determining whether there exists any construction of any Improvements which violates the terms of any approval by the Architectural Control Committee or the terms of this Declaration or of any other applicable covenants, conditions and restrictions. The Architectural Committee and the Association Board is specifically empowered to enforce the provisions of this Declaration by any legal or equitable remedy. In the event it becomes necessary to resort to litigation to determine the propriety of any constructed Improvement, or to remove any unapproved Improvements, the prevailing party shall be entitled to recovery of all court costs and expenses (including reasonable attorney's fees).

13.3. Building Sites. Each Lot, as approved by the appropriate governmental entity, shall constitute a building site (a "Building Site") and shall be used for single-family, residential purposes only. The lay of the Lots as shown on the recorded Plat shall be substantially adhered to; provided, however, that with the prior written approval of the Declarant (during the Declarant Control Period), or, thereafter, the Association's Board or the Architectural Committee, and the appropriate governmental authority, the size and shape of any Lot may be altered. More than one Lot may be used as one Building Site provided the location of any structure permitted thereon is approved in writing by the Architectural Committee or the Declarant, its successors or assigns, and said Lot is recombined as provided in N.C. General Statute 160A-376(1). In no event, however, shall a Lot or group of Lots be resubdivided or recombined in violation of any applicable zoning or other laws in force at the time of the change.

13.4. Setbacks. Except as contemplated by the party walls, no structure shall be located on any Building Site in relationship to its boundary lines any nearer than the distances permitted by the applicable zoning ordinances. For the purposes of this covenant, eaves, steps, carports and open porches shall not be considered as a part of a Building, provided, however, that this shall not be construed to permit any portion of a Building on a Building Site to encroach upon another Lot. Provided it otherwise complies with the applicable zoning ordinances and the setbacks, if any, shown on the applicable recorded Plat, the Declarant and/or the Architectural Committee may approve by written waiver a violation of these requirements.

13.5. Structures. Improvements on any Building Site shall be restricted solely to residential dwellings for residential use. All Improvements erected upon a Lot shall be of new construction. No residential structure, which has a minimum area of less than 1100 square feet of heated area, exclusive of porches, basement and garage, shall be erected or placed on any Building Site. No building or structures shall exceed three (3) stories in height. No structures of a temporary character, manufactured home, mobile home, trailer, tent, shack, garage, barn or other out-building shall be used on any portion of the Property at any time as a residence, either temporarily or permanently.

13.6. Approval of Plans & Specs. No Improvement shall be commenced, erected, or maintained upon the Property, nor shall an Improvement be repaired or rebuilt after destruction by any hazard until completed Plans & Specifications, showing the nature, kind, space, height, materials, and location of the Improvement shall have been submitted to and approved in writing by the Architectural Committee. A failure to approve or disapprove completed Plans & Specifications within forty-five (45) days after they have been submitted shall be deemed to be an approval of those Plans & Specifications. Neither the Association, the Association's Board, the Declarant, the Architectural Committee or any officer, employee, director or members thereof shall be liable for damages to any persons by reason of mistake in judgment, negligence or nonfeasance arising out of or in connection with the approval, disapproval or failure to approve any Plans & Specifications. Every person who submits Plans & Specifications for approval agrees, by submission of such Plans & Specifications, that it will not bring any action or suit to recover any such damages.

13.7. Declarant Facilities. Notwithstanding any provision in this Article to the contrary, during the period of development and sale of the Lots the Declarant is permitted, subject to the laws of the applicable governmental authority, to maintain such facilities and conduct such sales activities as Declarant deems reasonably required, convenient, or incidental to the development and sale of the Lots. These facilities/activities shall include but not be limited to sales tours, sales parties and promotions at the Amenities, a business/sales office, storage area, construction yards, model units, and signs. Before the end of the Declarant Control Period, this provision shall not be amended or revoked without the Declarant's written consent.

14. MORTGAGES/MORTGAGEES.

14.1. Notice. An Owner shall notify the Association Board of the name and address of the Mortgagee for each Mortgage on its Lot and shall file a conformed copy of the Mortgage(s) with the Association Board. Upon a Mortgagee's written request (an "Eligible Mortgagee"), the Association Board shall promptly provide written notice to the Eligible Mortgagee of: (a) any unpaid Assessments due from, or any other default by, the Owner of the mortgaged Lot; (b) any condemnation or casualty loss that affects a material portion of the Townhome Unit or the mortgaged Lot; (c) a lapse, cancellation, or material modification of any insurance policy maintained by the Association; and (d) any proposed action that requires the consent of the holders of mortgages constituting first liens on Lots. Upon the happening of a default under the terms of the mortgage or other liens which would permit the holder to declare the entire principal sum due, notice of the intention of the holder to do so shall be given to the Association Board, but the failure to give such notice shall not prevent the holder from instituting a Foreclosure action. The Foreclosure of a Mortgage will extinguish the lien for any unpaid Assessments that were payable before the foreclosure sale.

14.2. Mortgagee Approval.

14.2.1. Notwithstanding the anything in *Section 16.5* to the contrary, any amendments to the Declaration which materially amend or add to the provisions of this Declaration relating to: (i) voting, (ii) assessments, assessment liens, or the subordination of such liens, (iii) reserves for maintenance or the repair or replacement of Common Elements, (iv) insurance or fidelity bonds, (v) rights to use of the Common Elements, (vi) responsibility for repair and maintenance of the Planned Community, (vii) the expansion or contraction of, or the addition, annexation or withdrawal of property to or from, the Planned Community, or (viii) the boundaries of any Lot, shall require the written approval of not less than a Majority in Interest of the affected Eligible Mortgagees.

14.2.2. Notwithstanding the anything in *Article 10* to the contrary, in the event of damage to one or more Buildings resulting from an insurable hazard or condemnation, the following actions shall require the written approval of not less a Majority in Interest of the affected Eligible Mortgagees: (i) a repair or restoration of the damage other than in accordance with the original plans and specifications for the Lots; (ii) a termination of the Planned Community rather than a repair or restoration of the damage; or (iii) a reallocation of the Allocated Interest other than as contemplated elsewhere in this Declaration.

15. DEFAULTS/REMEDIES.

15.1. Default. Failure of the Association Board, or Owner, or Occupant to comply with the terms of the Planned Community Documents or any Rules & Regulations, as they may be amended from time to time, shall be a default and grounds for an action to recover sums due, damages and/or injunctive relief, by the Association Board (on behalf of the Association or one or more of the Owners) or by an Owner in its own behalf. In the case of flagrant or repeated violations by an Owner, that Owner may be required by the Association Board to give sufficient surety or sureties for its future compliance.

15.2. Remedies. In the event of any default in and/or breach of any of the terms, conditions and provisions of the Planned Community Documents or the Rules & Regulations (either actual or threatened)

the aggrieved party shall have the right to specific performance and/or injunction in addition to any and all other rights and remedies at law or in equity. In any proceeding arising because of an alleged default by an Owner or by the Association Board, the prevailing party shall be entitled to recover the costs of the proceedings, including, but not limited to, reasonable attorneys' fees. The right and remedies provided by this Declaration are distinct and cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. No delay or omission of a party to exercise any right or power arising from another's default shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein. The rights and remedies provided in this Declaration are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

16. MISCELLANEOUS.

16.1. Anti-Discrimination. No action in the enforcement or interpretation of this Declaration shall be taken at any time by the Declarant, the Association or the Association's Board which in any manner would unfairly discriminate against any Owner in favor of any of the other Owners.

16.2. Waiver. The Declarant (during the Declarant Control Period) and thereafter the Association or the Association's Board shall have the right, in the exercise of their reasonable discretion, to waive one or more violations of the requirements of this Declaration. No waiver shall be effective unless in writing and nevertheless shall not operate as a waiver of any other requirement respecting the Lot in question or any other Lots subject to this Declaration. No waiver shall be effective if it shall cause the Lot or its Improvements to be in non-conformance with any applicable Law.

16.3. Enforcement. The Declarant (during the Declarant Control Period), the Master Association, or any Owner shall have the right to enforce, by a proceeding at law or in equity, the terms of the Declaration. Failure by the Declarant, the Master Association, or by any Owner to enforce any covenant or restriction herein shall in no event be deemed a waiver of the right to do so thereafter. The court may award the prevailing party its reasonable attorneys fees incurred in such enforcement action.

16.4. Severability. Invalidation of any one or more of these covenants or restrictions by judgment or court order shall in no way affect any other provision which shall remain in full force and effect.

16.5. Amendment. Except as specifically otherwise provided in the Planned Community Documents, the Declaration may be amended by a vote of not less than sixty-seven percent (67%) of the Allocated Interests of all of the Lots. If an amendment is properly adopted, the Board shall, within thirty (30) days cause the amendment to be recorded with the County Registry. All amendments shall be effective from the date of recordation in the appropriate Register of Deeds. Notwithstanding the above provisions to the contrary, during the Declarant Control Period, an amendment, to be effective, must also obtain the Declarant's written approval. No amendment shall affect the use of a Lot which was approved pursuant to the terms of this Declaration prior to the effective date of the Amendment.

16.6. Disputes. In the event of any dispute concerning a provision of this Declaration, such dispute shall be settled by legal proceedings or the parties may, by mutual agreement, submit the dispute to a committee appointed by the Association for this purpose, and once submitted, the parties agree to be bound by the decision of that committee.

16.7. Voting. Voting by Members of the Association shall be in accordance with the applicable provisions set forth in the Bylaws.

16.8. Owner Addresses. Each Owner agrees to keep the Association informed of his address at any time and any notice sent or delivered to that address shall be sufficient. Each new Owner agrees to

provide the Association with evidence of his ownership for preparation of an Owner roster and the roster as so completed shall be sufficient evidence as to the ownership of each Lot.

16.9. Notice. All notices under this Declaration shall be in writing. Unless delivered personally, all notices shall either be delivered by a nationally recognized overnight express delivery service or be given by first class mail, postage prepaid, addressed to the addresses maintained pursuant to **Section 16.8** or, if none, to the address noted on the most recent Wake County tax records for the Owner of the Lot.

16.10. Gender and Grammar. All words and phrases in this Declaration shall be construed to include the singular or plural number, and the masculine, feminine, or neuter gender, as the context requires.

16.11. Owner Responsibility. Notwithstanding anything in this Declaration to the contrary, an Owner shall be responsible for any and all violations of this Declarations by its employees, agents, tenants, guests and invitees. When a party to this Declaration consists of more than on individual or entity, such party's liability shall be joint and several.

16.12. Construction. This Declaration shall be construed in accordance with the laws of North Carolina without giving effect to its conflict of laws principles.

16.13. Exhibits. All exhibits and schedules, if any, attached to this Declaration are incorporated by reference and made a part of this Declaration. The term "Declaration" as used in this document shall include all such exhibits and schedules.

16.14. Approval. During the Declarant Control Period, the following actions will require prior approval of the Veterans Administration and/or the Department of Housing and Urban Affairs: Annexation of Additional Properties, conveyance of Common Elements, dedication or withdrawal of land from dedication of Common Elements, or an Amendment of this Declaration. This Declaration shall not be amended or terminated without the prior approval of the Zoning Entity. A failure to approve or disapprove the proposed amendment or termination within thirty (30) days after it has been submitted, in writing, to the Zoning Entity, shall be deemed to be an approval of the proposed amendment/termination.

16.15. Limited Liability. In no case shall the Zoning Entity be responsible for failing to provide any emergency or regular fire, police or other public service 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, Owners or Occupants. In no case shall the Zoning Entity or the State of North Carolina be responsible for maintaining any private street. Such responsibility shall rest with the Association and/or Owners.

16.16. Dissolution or Insolvency of the Association. Except as otherwise required by the Act, the Association shall be dissolved upon the termination of this Declaration or upon the written assent of not less than eighty percent (80%) of the Members of each class of members. Upon dissolution of the Association or upon loss of ownership of the Common Area by the Association (once such ownership has been acquired) for any reason whatsoever (except for exchange or dedication or conveyance by reason of merger and/or consolidation with any other association as allowed by this Declaration), the Common Area shall be offered for dedication for public use for purposes similar to those to which the Common Area were required to be devoted by the Association to the Town of Wake Forest, North Carolina, or to some other appropriate governmental entity or public agency (the "Governmental Entity"), as determined by the Association's Board. If the Governmental Entity accepts the offer of dedication, such Common Area shall be conveyed by the Association to the Governmental Entity, subject to the Owner's rights to use/enjoyment of the Common Areas describe in **Article III**, and subject to all other applicable rights of way and easements of record and ad valorem property taxes accruing subsequent to the date of such conveyance. In the event that the Governmental Entity refuses the offer of dedication, the Association may transfer such Common Area to any nonprofit corporation, association, trust or other entity which is

or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the Common Area was required to be devoted by this Declaration, such conveyance to be made subject to the rights of Owners and other matters set forth in the immediately preceding paragraph.

IN WITNESS WHEREOF, the undersigned have executed, sealed and delivered this Declaration in the Company name on the date first above written.

Shearon Farms, LLC,
a North Carolina limited liability company,

By: [Signature]
Name/Title: John R. Lancaster, Member

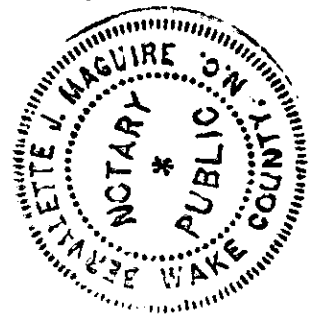
EXHIBITS : A - Property Description

**NORTH CAROLINA
WAKE COUNTY**

I, the undersigned Notary Public in and for the aforesaid County and State, certify that John R. Lancaster, a Member of Shearon Farms, LLC, personally came before me this day and acknowledged the due execution of the foregoing instrument on behalf of and as the act of the company. Witness my hand and notarial seal this MARCH 4th, 2005.

[Signature]
Notary Public

My Commission expires: MARCH 2, 2008



JOINDER

The undersigned being an owner of certain of the Lots in the Property joins in this Declaration and subjects all of its Lots to the protective covenants, charges, conditions and restrictions described in this instrument.

IN WITNESS WHEREOF, the undersigned have executed, sealed and delivered this instrument effective as of the date first above written.

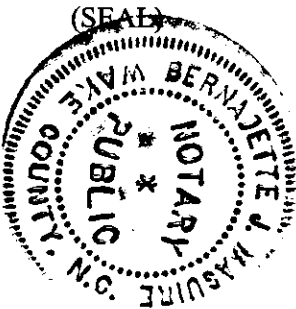
Murdock & Gannon Construction, Inc.
a North Carolina corporation

By: *Jeffrey Murdock*
Name/Title: *Grant Murdock Vice President*

**NORTH CAROLINA
WAKE COUNTY**

I, a Notary Public of the aforesaid County and State, certify that *JEFFREY MURDOCK* personally came before me this day and acknowledged that he/she is *Vice* President of Murdock & Gannon Construction, Inc., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed and sealed/delivered by him/her in that capacity. Witness my hand and notarial seal, this *MARCH 15*, 2005.

Bernadette J. Masuie
Notary Public
My Commission Expires: *MARCH 2, 2008*

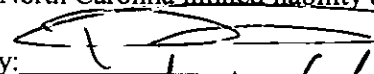


JOINDER

The undersigned being an owner of certain of the Lots in the Property joins in this Declaration and subjects all of its Lots to the protective covenants, charges, conditions and restrictions described in this instrument.

IN WITNESS WHEREOF, the undersigned have executed, sealed and delivered this instrument effective as of the date first above written.

Perry Builders, LLC
a North Carolina limited liability company

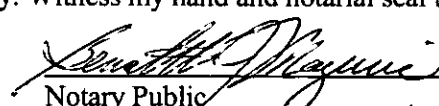
By: 

Name/Title: Member/owner

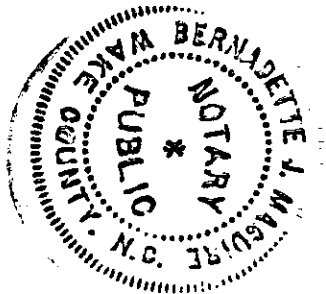
**NORTH CAROLINA
WAKE COUNTY**

I, a Notary Public of the aforesaid County and State, certify that Ryan D. Perry, a Member of Perry Builders LLC, a North Carolina limited liability company, personally came before me this day and acknowledged the due execution of the foregoing instrument on behalf of and as the act of the Company. Witness my hand and notarial seal this MARCH 15, 2005.

(SEAL)


Notary Public

My Commission expires: MARCH 2, 2008



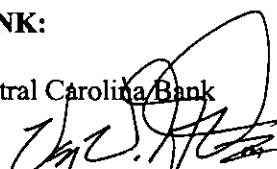
SUBORDINATION

Central Carolina Bank, the holder of certain deed of trusts recorded in the Wake County Registry encumbering the Property (collectively, the "Deed of Trust"), and Southland Associates, Inc., in its capacity as trustee under the Deed of Trust, join in this Declaration of Covenants and Restrictions (the "Declaration"), for the sole purpose of subordinating the Deed of Trust to the provisions and easements of the Declaration. Notwithstanding the preceding to the contrary, the lien of the Deed of Trust shall nevertheless remain superior to any and all liens now or subsequently created under the Declaration.

IN WITNESS WHEREOF, the undersigned, by its respective authorized officer, have caused this Subordination to be executed this MARCH 15, 2005.

BANK:

Central Carolina Bank

By: Name/Title: Van W. Gunter III - Vice President**TRUSTEE:**

Southland Associates, Inc.

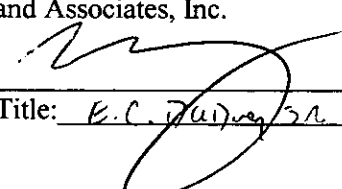
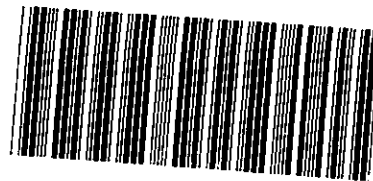
By: Name/Title: E.C. Guirguis - President

EXHIBIT A
LEGAL DESCRIPTION

Being all the lands described in those subdivision plats recorded at Book of Maps 2004, Pages 1422 & 1423, Wake County Registry, which plats are incorporated into this description by this reference.



BOOK:011308 PAGE:01369 - 01398

Yellow probate sheet is a vital part of your recorded document.
Please retain with original document and submit for rerecording.



Wake County Register of Deeds
Laura M. Riddick
Register of Deeds

North Carolina – Wake County

The foregoing certificate___ of Geraldine J Maguire

____ Notary(ies) Public is (are) certified to be correct. This instrument and this certificate are duly registered at the date and time and in the book and page shown on the first page hereof.

Laura M. Riddick, Register of Deeds

By: Janet Morgan

Assistant/Deputy Register of Deeds

This Customer Group

____ # of Time Stamps Needed

This Document

____ New Time Stamp
____ 30 # of Pages