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Please index in Grantee index under “Wendell Falls” and under “Wendell Falls Community Association, Inc.”

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
WENDELL FALLS

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

*****THE PROPERTY SUBJECT TO THIS INSTRUMENT IS ALSO*****
*****SUBJECT TO THAT DECLARATION OF RESTRICTIVE*****
*****COVENANTS FOR JURISDICTIONAL WETLANDS *****
*****RECORDED IN DEED BOOK 13267, PAGE 556, *****
*****WAKE COUNTY REGISTER OF DEEDS.*****

Prepared by / upon recording, please return to:
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DECLARATION OF COVENANTS, CONDITIONS and RESTRICTIONS
FOR
WENDELL FALLS

THIS DECLARATION OF COVENANTS, CONDITIONS and RESTRICTIONS is made this _____ day of _____, 2008, by Wendell Falls Development, LLC, a North Carolina limited liability company, on behalf of itself and its successors and assigns ("**Declarant**").

PART ONE: INTRODUCTION TO THE COMMUNITY

Wendell Falls Development, LLC, as the developer of Wendell Falls, has established this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance and preservation of Wendell Falls as a planned residential community.

Article I Creation of the Community

1.1. Purpose and Intent.

Declarant, as the owner of the real property described in Exhibit A, intends by this Declaration to establish a general plan of development for the planned residential community known as Wendell Falls. An integral part of the development plan is the creation of Wendell Falls Community Association, Inc., an association comprised of all owners of residential real property in the Community (as defined in Article II), to own, operate and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.

This document establishes a planned residential community under the North Carolina Planned Community Act, North Carolina General Statutes § 47F-1-101, *et seq.* (as it may be amended, the "**Act**").

1.2. Binding Effect.

All property described in Exhibit A, and any additional property that is made a part of the Community in the future by amendment of this Declaration or by Supplemental Declaration recorded pursuant to Article X, shall be owned, conveyed and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title or interest in any portion of the Community, their heirs, successors, successors-in-title and assigns.

This Declaration, as it may be amended, is intended to have perpetual duration, subject to the right of the Owners to terminate this Declaration and the planned community established by this Declaration in accordance with the procedures set forth in Article XXI.

1.3. Governing Documents.

The Governing Documents for the Community consist of:

- this Declaration and such amendments and Supplemental Declarations as may be recorded from time to time;
- the Association's Articles of Incorporation and By-Laws;
- the Restrictions and Rules described in Article III;
- the Design Guidelines described in Article IV; and
- such resolutions as the Association's Board of Directors may adopt;

all as they may be amended. In the event of a conflict between or among any of the Governing Documents, the documents shall be given priority in the order listed above.

Some areas within the Community may be subject to additional covenants, restrictions and easements. If there is a conflict between the Governing Documents and any such additional covenants or restrictions, the Governing Documents shall control; however, if one document is simply more restrictive than another, the more restrictive shall control.

The Governing Documents apply to all Owners and occupants of property within the Community, as well as to their respective tenants, guests and invitees. If a Unit is leased, the tenant and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents, and the lease shall so provide.

The Association, Declarant and every Owner shall have the right to take legal action to enforce the Governing Documents. The Association shall have the specific enforcement powers and remedies described in Section 7.5 and elsewhere in the Governing Documents.

If any court should determine that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision.

Throughout the Governing Documents there are diagrams to illustrate the concepts discussed and aid in the reader's comprehension. Such diagrams are for illustrative purposes only. In the event of a conflict between any diagram and the text of the Governing Documents, the text shall control.

Diagram 1.1 identifies the various Governing Documents and their functions.

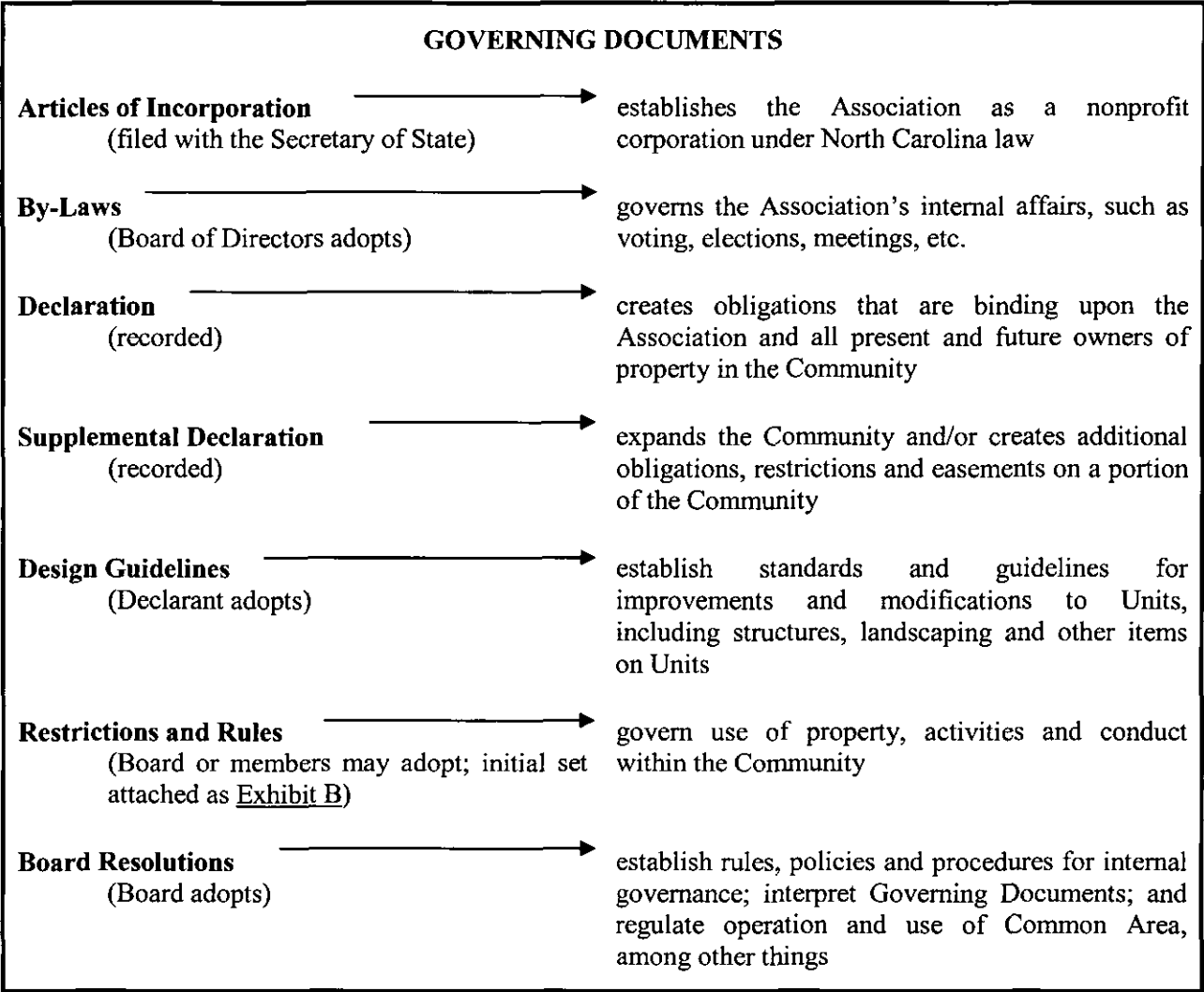


Diagram 1.1 - Governing Documents

Article II Concepts and Definitions

2.1. Defined Terms.

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

“Additional Association:” A condominium association or other owners association, if any, having jurisdiction over any portion of the Community concurrent with (but subject to) the jurisdiction of Wendell Falls Community Association, Inc. Nothing in this Declaration shall require the creation of any Additional Associations.

“Act:” The North Carolina Planned Community Act, North Carolina General Statutes § 47F-1-101, *et seq.*, as it may be amended.

“Area of Common Responsibility:” The Common Area and any land designated as Common Area (even if not yet conveyed to the Association), together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration or other applicable covenants, contracts or agreements.

“Articles” or “Articles of Incorporation:” The Articles of Incorporation of Wendell Falls Community Association, Inc., filed with the Office of the Secretary of State, State of North Carolina, as they may be amended.

“Association:” Wendell Falls Community Association, Inc., a North Carolina non-profit corporation, its successors or assigns.

“Board” or “Board of Directors:” The body responsible for administration of the Association, selected as provided in the By-Laws and generally serving the same role as the board of directors under North Carolina corporate law.

“Builder:” Any Person who purchases one or more Units, as defined below, from Declarant or a Builder for the purpose of constructing a dwelling thereon for later sale to consumers or who purchases one or more parcels of land within the Community from Declarant for further development and/or resale in the ordinary course of its business.

“By-Laws:” The By-Laws of Wendell Falls Community Association, Inc., as they may be amended.

“Class “B” Control Period:” The period of time during which Declarant, as the Class “B” Member, is entitled to appoint a majority of the members of the Board, as provided in By-Laws. The Class “B” Control Period shall terminate not later than ninety (90) days after the first to occur of the following:

- (a) the date that ninety percent (90%) of the total number of Units permitted by the Master Plan for the property described in Exhibit A has certificates of occupancy issued thereon and have been conveyed to Class “A” Members other than Builders; or
- (b) twenty (20) years after the date of recording of this Declaration; or
- (c) such earlier date as the Class “B” Member, in its sole discretion, executes and records a written notice voluntarily terminating the Class “B” Control Period.

Temporary suspension of the Class “B” Membership pursuant to Section 6.2(a) shall not affect the Class “B” Control Period.

“Common Area:” All real and personal property, including easements, the Association owns, leases or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term shall include the Limited Common Area, as defined below.

“Common Expenses:” The actual and estimated expenses the Association incurs, or expects to incur, for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary or appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred during the Class “B” Control Period for initial development or other original construction costs unless approved by Members representing a majority of the total Class “A” votes in the Association and by the Class “B” Member, except payments due under leases of capital improvements

such as street lights and costs of purchasing or installing capital improvements such as street lights or an irrigation well, if the Board determines such purchase to be in the best interests of the Association, shall not be considered an initial development expense or original construction cost subject to this limitation.

“**Community:**” The real property described on Exhibit A together with such additional property as is submitted to this Declaration pursuant to Article X.

“**Community-Wide Standard:**” The standard of conduct, maintenance or other activity generally prevailing in the Community or the minimum standards established pursuant to the Design Guidelines, Restrictions and Rules and Board resolutions, whichever is the highest standard. Declarant initially shall establish such standard, and it may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and desires within the Community change.

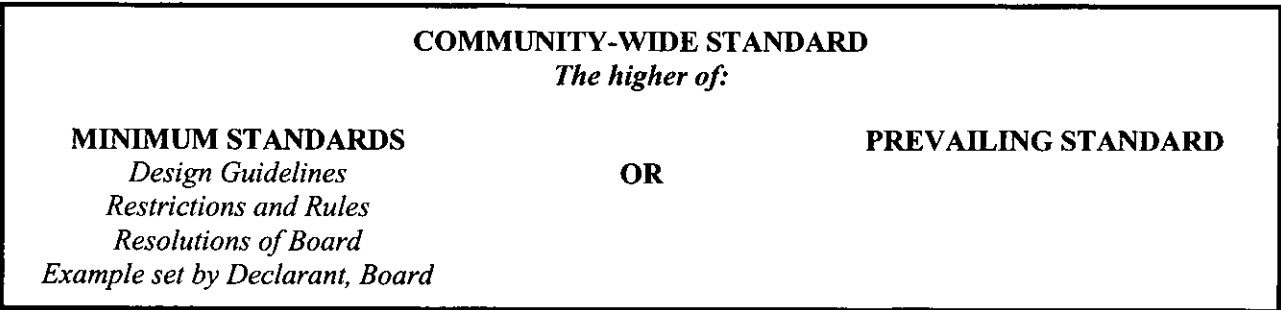


Diagram 1.2. Community-Wide Standard

“**Covenant to Share Costs:**” any declaration of easements and/or covenant to share costs Declarant executes and records that creates certain easements for the benefit of the Association or the present and future owners of the subject real property and/or that obligates the Association and such owners to share the costs of maintaining property described in such Covenant to Share Costs.

“**Declarant:**” Wendell Falls Development, LLC, a North Carolina limited liability company, or any successor or assign who takes title to any portion of the property described in Exhibit A or any other property added to the Community pursuant to Section 10.1 for the purpose of development and/or sale and who the immediately preceding Declarant designates as Declarant in a recorded instrument.

“**Declarant Affiliate:**” Any Person that controls, is controlled by or is under common control with Declarant and any Person that is an owner, a member, a partner or a shareholder of Declarant.

“**Design Guidelines:**” The guidelines and standards for design, construction, landscaping and exterior items placed on Units adopted pursuant to Article IV, as they may be amended.

“**Development and Sale Period:**” The period of time during which Declarant, any Declarant Affiliate or any Builder owns property subject to this Declaration or during which Declarant holds an unexpired option to expand unilaterally the Community pursuant to Section 10.1.

“**Eligible Mortgage Holder:**” a holder, insurer or guarantor of a first priority Mortgage on a Unit who has submitted a written request to the Association to notify it of any proposed action requiring the consent of a specified percentage of Eligible Mortgage Holders pursuant to Article XVI. The term “**Eligible Mortgage**” shall refer to the Mortgage held by an Eligible Mortgage Holder.

“General Assessment:” Assessments levied on all Units subject to assessment under Article IX to fund Common Expenses for the general benefit of all Units, as determined in accordance with Section 9.2.

“Governing Documents:” A collective term referring to this Declaration and any applicable Supplemental Declaration, the By-Laws, the Articles, the Design Guidelines, the Restrictions and Rules and Board resolutions, all as they may be amended.

“Limited Common Area:” A portion of the Common Area assigned, pursuant to Article XVI, for the primary benefit or use of one or more, but less than all, Units.

“Master Plan:” The master plan for the development of Wendell Falls approved by the Town of Wendell, North Carolina, as it may be supplemented or amended, which includes all of the property described in Exhibit A. Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to submit such property to this Declaration, nor shall the omission of property from the Master Plan bar its later submission to this Declaration as provided in Article XI.

“Member:” A Person subject to membership in the Association pursuant to Section 6.2.

“Mortgage:” A mortgage, a security deed, a deed of trust or any other form of security instrument affecting title to any Unit. The term **“Mortgagee”** shall refer to a beneficiary or holder of a Mortgage.

“Owner:” One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

“Person:” A natural person, a corporation, a partnership, a limited liability company, a trust or any other legal entity.

“Restrictions and Rules:” The initial restrictions and rules set forth in Exhibit B, as they may be supplemented, modified and repealed pursuant to Article III.

“Wendell Falls:” The real property described on Exhibit A together with such additional property as is submitted to this Declaration pursuant to Article X.

“Service Area:” A group of Units designated as a separate Service Area pursuant to this Declaration for purposes of sharing Limited Common Areas and/or receiving other benefits or services from the Association that are not provided to all Units. For example, all Units served by alleys, if any, may be assigned to an “Alley Service Area” for purposes of sharing the benefits provided and expenses incurred by the Association in connection with the ownership, maintenance, repair and servicing of such alleys. Other Service Areas may be established as described in Section 7.3. A Service Area may be comprised of more than one housing type and may include noncontiguous parcels of property. A Unit may be assigned to more than one Service Area. When the context permits or requires, the term “Service Area” also shall refer to any Service Area Committee established in accordance with the By-Laws to represent the interests of Owners of Units within a Service Area.

“Service Area Assessments:” Assessments levied against the Units in a particular Service Area to fund Service Area Expenses, as described in Section 9.2.

“Service Area Expenses:” The actual and estimated expenses the Association incurs or expects to incur for the benefit of Owners within a particular Service Area, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Service Area.

“Special Assessment:” Assessments levied in accordance with Section 9.3.

“Specific Assessment:” Assessments levied in accordance with Section 9.4.

“Supplemental Declaration:” An instrument recorded pursuant to Article X that subjects additional property to this Declaration, designates Service Areas and/or creates or imposes additional easements, restrictions and obligations on the land described in such instrument.

“Unit:” A portion of the Community, whether improved or unimproved, that may be independently owned and is intended for development, use and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, that is part of the Unit as well as any improvements thereon. In the case of a structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit.

In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the Master Plan or Declarant’s site plan, whichever is more recent, until such time as a subdivision plat is recorded subdividing all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall contain the number of Units determined as set forth in the preceding paragraph and the number of Units in any remaining portion shall continue to be calculated in accordance with this paragraph.

Units may be recombined or further subdivided, and boundary lines of Units may be changed, only by recording of a plat or other legal instrument recombining, further subdividing or re-subdividing the parcel of property (which recombination or subdivision shall be subject to such other restrictions as may be set forth in this Declaration or the Restrictions and Rules). In the absence of recording such a legal instrument, ownership of adjacent Units by the same Owner shall not permit such Units to be treated as a single Unit for purposes of voting and assessment, notwithstanding that such Units may be improved with a single dwelling.

2.2. Interpretation of Certain References.

(a) Consent or Approval. All references in the Governing Documents to “consent” or “approval” shall refer to permission or approval that, unless otherwise expressly qualified in the specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

(b) Discretion and Determinations. All references in the Governing Documents to “discretion” or to the right to “determine” any matter shall refer to the sole and absolute power or right to decide or act and, unless otherwise expressly limited in the Governing Documents, a Person entitled to exercise discretion or make a determination may do so without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action or inaction.

(c) Recording. All references in the Governing Documents to a “recorded” legal instrument, or to “recording” or the “recording” of a legal instrument, shall refer to an instrument filed, or the filing of a legal instrument, in the Office of the Register of Deeds for Wake County, North Carolina, or such

other place as may be designated as the official location for filing documents affecting title to real estate in Wake County to make them a matter of public record.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, architecture, landscaping and other aesthetic matters in the Community are what give the community its identity and make it special. Each Owner and resident participates in upholding such standards and can take pride in the results of that common effort. This Declaration establishes procedures for adopting, modifying, applying and enforcing such standards, while providing the flexibility for the community standards to evolve over time.

Article III Use and Conduct

3.1. Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for the Community, a framework of covenants, easements and restrictions that govern Wendell Falls. Within that framework, Declarant and the Association must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires and trends. Therefore, this Article establishes rulemaking authority and procedures for modifying and expanding the initial Restrictions and Rules set forth in Exhibit B. This Article is not intended to apply to rules and regulations relating to use and operation of the Common Area that the Board may adopt by resolution pursuant to Section 7.1(d), nor to administrative policies the Board may adopt by resolution to interpret, define or implement the Restrictions and Rules.

3.2. Rule Making Authority and Procedures.

(a) The Restrictions and Rules may be modified, rescinded, limited or expanded as follows:

(i) Subject to Section 3.4, Declarant may amend unilaterally Exhibit B to add new Restrictions and Rules or to modify or rescind existing Restrictions and Rules until termination of the Class “B” Control Period.

(ii) Subject to the terms of this Article and the Board’s duty pursuant to the By-Laws to exercise its powers in a reasonable, fair and nondiscriminatory manner, the Board may modify, cancel, limit, create exceptions to or expand the Restrictions and Rules, except that during the Development and Sale Period, any such action shall require the written consent of Declarant. The Board shall send notice to Declarant and all Owners or publish notice concerning any proposed action at least five (5) business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

(iii) Subject to the terms of this Article, Members may, at an Association meeting duly called for such purpose, modify, cancel, limit, create exceptions to or expand the Restrictions and Rules then in effect. Any such action shall require approval of Members entitled to cast at least fifty-one percent (51%) of the total Class “A” votes in the Association. In addition, during the Development and Sale Period, any such action shall require the written consent of Declarant.

(b) Prior to any action taken under this Section becoming effective, the Board shall send a copy of the new rule or explanation of any changes to the Restrictions and Rules to each Owner. The

effective date shall be not less than thirty (30) days following distribution to Owners. The Association shall provide, without cost, a copy of the Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(c) No action taken under this Article shall have the effect of modifying, repealing or expanding the Design Guidelines or any provision of this Declaration other than the initial Restrictions and Rules set forth in Exhibit B. In the event of a conflict between the Design Guidelines and the Restrictions and Rules, the Design Guidelines shall control.

3.3. Owners' Acknowledgment and Notice to Purchasers.

ALL OWNERS ARE GIVEN NOTICE THAT USE OF THEIR UNITS AND THE COMMON AREA IS LIMITED BY THE RESTRICTIONS AND RULES AS AMENDED, EXPANDED AND OTHERWISE MODIFIED FROM TIME TO TIME. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected by this provision and that the Restrictions and Rules may change from time to time. All purchasers of Units are on notice that the Association may have adopted changes. Copies of the current Restrictions and Rules may be obtained from the Association.

3.4. Protection of Owners and Others.

Except as may be set forth in this Declaration (either initially or by amendment) or in the initial Restrictions and Rules set forth in Exhibit B, all Restrictions and Rules shall comply with the following provisions:

(a) **Similar Treatment.** Similarly situated Owners shall be treated similarly; however, the Restrictions and Rules may vary by housing type or area.

(b) **Religious and Holiday Displays.** The rights of Owners to display religious and holiday signs, symbols and decorations inside structures on their Units of the kinds normally displayed in dwellings located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place and manner restrictions with respect to displays visible from outside the dwelling.

(c) **Flags.** No rule shall regulate or prohibit the display on a Unit of the flag of the United States or the flag of North Carolina, of a size no greater than four (4) feet by six (6) feet, by the Owner or occupant of such Unit, provided the flag is displayed in accordance with or in a manner consistent with the patriotic customs set forth in 4 U.S.C. Sections 5-10, as amended, governing the display and use of the flag of the United States.

(d) **Political Signs.** No rule shall regulate or prohibit the indoor or outdoor display of a political sign on a Unit by the Owner or occupant of the Unit, except that the Association may adopt rules (i) prohibiting the display of political signs earlier than forty-five (45) days before the day of the election and later than five (5) days after an election day, and (ii) regulating the size and number of political signs that may be placed on a Unit, subject to the limitations set forth in Section 47F-3-121 of the Act. For the purposes of this subsection (d), "political sign" means a sign that attempts to influence the outcome of an election, including supporting or opposing an issue on the election ballot.

(e) **Household Composition.** No rule shall interfere with the freedom of Owners to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit (which shall mean one (1) person or two (2)

or more people living together and sharing expenses) and to limit the total number of occupants permitted in each Unit on the basis of the size and facilities of the Unit and its fair use of the Common Area.

(f) *Activities within Dwellings.* No rule shall interfere with the activities carried on within the confines of dwellings to the extent in compliance with local laws and ordinances, except the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling or that create an unreasonable source of annoyance to persons outside the Unit.

(g) *Allocation of Burdens and Benefits.* No rule shall alter the allocation of financial burdens among the various Units or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article IX.

(h) *Alienation.* No rule shall prohibit leasing or transfer of any Unit or require consent of the Association or Board for leasing or transfer of any Unit; however, rules may restrict leasing of multiple Units by the same Owner or by related or affiliated Persons and may require a minimum lease term of up to twelve (12) months. The Association also may require that Owners use lease forms approved by the Board.

(i) *Abridging Existing Rights.* No rule shall require an Owner to dispose of personal property that was in or on a Unit prior to the adoption of such rule if such personal property was in compliance with all rules previously in force. This exemption shall apply only during the period of such Owner's ownership of the Unit and shall not apply to subsequent Owners who take title to the Unit after adoption of the rule.

(j) *Reasonable Rights to Develop and Sell.* No rule or action by the Association or Board shall impede unreasonably Declarant's right to develop the Community, nor restrict Declarant or such Builders as Declarant may so authorize from maintaining upon Common Areas and Units they own any facilities necessary or incidental to construction or sale of Units. By way of example and not limitation, no rule shall prohibit Declarant or such Builders as Declarant may so authorize from maintaining temporary structures for use during construction of a Unit(s) or from using any home as a sales office.

The limitations in subsections (a) through (i) of this Section shall only limit rulemaking authority exercised under Section 3.2; they shall not apply to amendments to this Declaration adopted in accordance with Article XX provided such amendments are not inconsistent with the Act.

Article IV Architecture and Landscaping

4.1. General.

No structure or thing shall be placed, erected or installed upon any Unit and no improvements or other work (including staking, clearing, excavation, grading and other site work, exterior alterations of existing improvements or planting or removal of landscaping) shall take place within the Community, except in compliance with this Article and the Design Guidelines. This Article and the Design Guidelines shall not be construed to regulate or prohibit those flags or political signs permitted under Section 3.4(c)

and 3.4(d) or those antennae and other Permitted Devices described in Exhibit B, provided they are installed in compliance with those sections and such rules as are specifically authorized in those sections.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint or redecorate the interior of his or her Unit without approval. However, modifications to the interior of screened porches, patios and similar portions of a Unit visible from outside the structure shall be subject to approval. All construction on Units shall comply with all applicable building codes and requirements, including all ordinances and regulations of the Town of Wendell.

This Article shall not apply to structures in existence on the date of recording of this Declaration, or to Declarant's activities during the Development and Sale Period, or to the activities of the Association during the Class "B" Control Period.

4.2. Design Review.

(a) **By Declarant.** Each Owner, by accepting a deed or other instrument conveying any interest in a Unit, acknowledges that Declarant has a substantial interest in ensuring that the improvements within the Community enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell or lease its property in, or in the vicinity of, the Community. Therefore, each Owner agrees that no activity within the scope of this Article shall be commenced on such Owner's Unit unless and until Declarant or its designee has given its prior written approval for such activity, which approval may be granted or withheld in Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee shall be acting solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue so long as Declarant owns any portion of the Community or any real property that may be made a part of the Community pursuant to Section 10.1 and until a certificate of occupancy has been issued for a dwelling on every Unit, unless earlier terminated in a written instrument that Declarant executes and records.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder.

Declarant may from time to time, but shall not be obligated to, delegate all or a portion of its reserved rights under this Article to (i) a design review committee appointed by the Board of Directors (the "DRC"), or (ii) a committee comprised of architects, engineers or other persons who may or may not be Members of the Association. Any such delegation shall be in writing specifying the scope of responsibilities delegated. It shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (ii) Declarant's right to veto any decision Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the foregoing entities shall be limited to such matters as Declarant specifically delegates to them.

(b) **Design Review Committee.** Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through the DRC, shall assume jurisdiction over design and aesthetic matters. The DRC, when appointed, shall consist of at least three (3), but not more than seven (7), persons who shall serve and may be removed and replaced in the Board's discretion. The members of the DRC need not be Members of the Association or representatives

of Members and may, but need not, include architects, engineers or similar professionals, who may be compensated in such manner and amount, if any, as the Board may establish.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the DRC or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over design and aesthetic matters.

(c) Fees; Assistance.

(i) For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "**Reviewer**." The Reviewer may establish and charge reasonable fees for review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers or other professionals. Declarant and the Association may employ architects, engineers or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget.

(ii) As a condition of granting any approval hereunder, the Association may require the Owner of the Unit upon which construction is to take place, other than Declarant and Declarant Affiliates, to pay a "**Construction Deposit**" to provide security against damage to the Area of Common Responsibility and other portions of the Community and to discourage noncompliance with the Governing Documents. The Construction Deposit shall be in such amount as the Board may from time to time determine reasonable. The Construction Deposit shall be paid to the Association prior to the commencement of any construction activity on the Unit. The Board may establish varying levels of Construction Deposits or waive Construction Deposits for different types of construction activities.

All Construction Deposits shall be held in a segregated account maintained by and in the name of the Association until receipt by the Board or its designee of (A) a copy of a certificate of occupancy issued by the appropriate governmental agency or other evidence of completion acceptable to the Board, or (B) confirmation by the Reviewer or its representative that all construction activity with respect to the Unit for which the deposit was made has been completed in accordance with the conditions of approval. Within thirty (30) days thereafter, the Board shall refund the Construction Deposit to the Owner, without interest, less any funds expended or to be expended by the Board pursuant to this Section.

The Board may draw upon an Owner's Construction Deposit as necessary to cover the costs of providing maintenance to the construction site or maintenance, repairs or replacements to the Area of Common Responsibility, any of which become necessary as a result of the Owner's construction activities or the activities of its builders, subcontractors, employees or agents, or to pay accrued and unpaid fines imposed for violations of the Governing Documents in connection with construction to the Unit. By way of illustration and not limitation, the Board may draw upon the Construction Deposit to cover the cost of repairing damage to subdivision improvements caused by construction vehicles or the cost of removing trash and construction debris not removed by the Owner. The Board shall provide prior written notice to the Owner of the costs being deducted from the Construction Deposit in the same manner as a sanction described in the By-Laws and afford the Owner an opportunity for hearing as provided in the By-Laws.

Nothing in this subsection (ii) shall be construed as limiting the Association's right to seek reimbursement from the Owner for the total amount expended on the Owner's behalf in the event the amount expended exceeds the amount of the Construction Deposit, nor shall anything in this Section be construed to limit any of the rights or remedies granted to the Association by other provisions of this Declaration.

4.3. Guidelines and Procedures.

(a) **Design Guidelines.** Declarant may establish the initial Design Guidelines, which may contain general provisions applicable to all of the Community as well as specific provisions that vary by housing type and from one area to another within the Community. The Design Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer in considering applications. The Design Guidelines are not the exclusive basis for decisions of the Reviewer and compliance with the Design Guidelines will not guarantee approval of any application.

Declarant shall have sole and full authority to amend the Design Guidelines so long as it has any rights under this Article, as described in Section 4.2(a), notwithstanding a delegation of reviewing authority to the DRC, unless Declarant also delegates the power to amend to the DRC. Upon termination or delegation of Declarant's right to amend, the DRC shall have the authority to amend the Design Guidelines with the consent of the Board. However, no amendment shall be inconsistent with applicable laws and ordinances.

Any amendments to the Design Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines and such amendments may remove requirements previously imposed or otherwise make the Design Guidelines less restrictive.

The Reviewer shall make the Design Guidelines available to Owners and Builders who seek to engage in development or construction within the Community.

(b) **Procedures.** Except as otherwise specifically provided in this Declaration or the Design Guidelines, no activities shall commence on any Unit until an application for approval has been submitted to and approved by the Reviewer. Such application shall include plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation and other features of proposed construction, as applicable ("**Plans**"). The Design Guidelines and the Reviewer may require the submission of such additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth herein.

The Reviewer shall make a determination on each application as provided in the Design Guidelines.

Until expiration of Declarant's rights under this Article, the DRC shall notify Declarant in writing within three (3) business days after the DRC has approved any application within the scope of matters delegated to the DRC by Declarant. The notice shall be accompanied by a copy of the application and any additional information that Declarant may require. Declarant shall have ten (10) days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the DRC.

The Reviewer shall notify the applicant in writing of the final determination on any application within five (5) days thereafter or, with respect to any determination by the DRC subject to Declarant's veto right, within five (5) days after the earlier of: (i) receipt of notice of Declarant's veto or waiver thereof, or (ii) expiration of the ten (10) day period for exercise of Declarant's veto. In the case of disapproval, the Reviewer may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections. Notice shall be deemed given when deposited in the U.S. Mail, certified mail, return receipt requested, properly addressed to the applicant at the address stated in such applicant's notice, or upon receipt if given by any other means.

If the Reviewer fails to give notice of its approval or disapproval of any application within the time period required above, the applicant may notify the Reviewer by certified mail, return receipt requested, at the address for such notices set forth in the current edition of the Design Guidelines, stating that no response has been received and that unless a written response is given at the address set forth in such notice within fifteen (15) days after the Reviewer's receipt of the applicant's notice, as evidenced by the return receipt, the application shall be deemed approved. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with this Declaration or the Design Guidelines unless a written variance has been granted pursuant to Section 4.5.

If construction does not commence on a project for which Plans have been approved within nine (9) months after the date of approval, whether express or by deemed granted, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one (1) year after commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant or any aggrieved Owner.

The Reviewer may (i) pre-approve Plans for Builders and excuse such Builders from all or a portion of the application and review procedures set forth in this Section with respect to construction undertaken in accordance with such pre-approved Plans; and (ii) by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Design Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case the Reviewer may elect not to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, plans or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) preclude the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to

obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

4.6. Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Community; they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be made on the basis of aesthetic considerations only, and the Reviewer shall not bear any responsibility or liability for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwellings are of comparable quality, value or size, of similar design or aesthetically pleasing or otherwise acceptable to neighboring property owners.

Neither Declarant, the Association, the Board, any committee, nor any member of any of the foregoing, shall be held liable for soil conditions, drainage or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition or quality of work of any contractor or its subcontractors, employees or agents, whether or not Declarant has approved or featured such contractor as a builder in the Community; or any injury, damages or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters, the Board, the DRC and the members of each shall be defended and indemnified by the Association as provided in the By-Laws.

4.7. Certificate of Compliance.

Any Owner may request that the Reviewer issue a certificate of compliance certifying that there are no known violations of this Article or the Design Guidelines. The Association shall either grant or deny such request within thirty (30) days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall preclude the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

Article V Maintenance and Repair of Units

5.1. Maintenance by Owners.

Except to the extent such maintenance responsibility is otherwise assigned to or assumed by the Association pursuant to Section 7.2 or any Supplemental Declaration applicable to the Unit, each Owner shall maintain:

- (a) his or her Unit and all landscaping and improvements comprising the Unit; and
- (b) the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the Unit boundary and any wall, fence or curb located on the Common Area or public right-of-way within fifteen (15) feet of the Unit boundary;

all in a manner consistent with the Governing Documents, the Community-Wide Standard and all applicable covenants, except that there shall be no right to remove trees, shrubs or similar vegetation without prior approval pursuant to Article IV.

5.2. Maintenance of Additional Association's Property.

Any Additional Association shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard and all applicable covenants.

Any Additional Association also shall be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the boundary of its common property and any wall, fence or curb located on the Common Area or public right-of-way within fifteen (15) feet of its boundary; provided, there shall be no right to remove trees, shrubs or similar vegetation from this area without prior approval pursuant to Article IV.

The Association may assume maintenance responsibility for property within the jurisdiction of any Additional Association, either upon designation of the area as a Service Area pursuant to Section 7.3 or upon the Board's determination, pursuant to Section 7.5(a), that the level and quality of maintenance then being provided is not consistent with the Community Wide Standard. The provision of services in accordance with this Section shall not constitute discrimination within a class.

5.3. Responsibility for Repair and Replacement; Insurance by Owners.

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement as necessary to maintain the property to a level consistent with the Community-Wide Standard.

Each Owner shall carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless the Association is obligated to carry such insurance pursuant to any Supplemental Declaration or other covenants applicable to the Unit, or unless the Association otherwise notifies the Owner in writing that it is carrying such insurance on the Unit (which they may, but are not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

In the event of damage to or destruction of structures on or comprising a Unit, the Owner shall, within one hundred eighty (180) days thereafter, complete the repair or reconstruction of the damaged structures in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs not covered by insurance proceeds.

This Section also shall apply to any Additional Association responsible for common property within its jurisdiction in the same manner as if the Additional Association were an Owner and the common property were a Unit. Additional covenants applicable to any area of the Community may establish more stringent requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Units within such area and for clearing and maintaining the Unit in the event the structures are not rebuilt or reconstructed.

Neither the Association nor Declarant shall bear any responsibility for the maintenance or safekeeping of personal property of any Owner or occupant of a Unit, their family, guests or invitees, nor shall the Association or Declarant be held liable for the condition of, or any loss or damage to, any such

personal property except to the extent directly attributable to the reckless acts or willful misconduct of the Association, Declarant or their respective agents or employees.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

This Declaration establishes the Association as a mechanism by which each Owner is able to participate in the governance and administration of the Community. While many powers and responsibilities are vested in the Association's board of directors to facilitate day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership -- the owners of property in the Community.

Article VI The Association and its Members

6.1. Function of Association.

The Association has been established to administer the Community in accordance with the Governing Documents. Its responsibilities include, but are not limited to:

- (a) management, maintenance, operation and control of the Area of Common Responsibility;
- (b) interpretation and enforcement of the Governing Documents;
- (c) establishing and upholding the Community-Wide Standard; and
- (d) upon delegation or termination of Declarant's authority under Article IV, administering the design review process for the Community, as provided in that Article.

6.2. Membership.

(a) **Classes of Membership.** The Association initially shall have two (2) classes of membership, Class "A" and Class "B." Class "A" Members shall be all Owners, including Declarant as to any Unit it owns (or any land which is subject to this Declaration but has yet to be subdivided into units). The sole Class "B" Member shall be Declarant. The Class "B" membership shall be temporarily suspended during any period that Declarant does not own a Unit, subject to automatic reinstatement upon Declarant's acquisition of any Unit or annexation of additional property pursuant to Article X; however, such temporary suspension shall not suspend, terminate or otherwise affect the Class "B" Control Period. The Class "B" membership shall terminate upon the earlier of:

- (i) the date that ninety percent (90%) of the total number of Units permitted by the Master Plan for the property described in Exhibits A has certificates of occupancy issued thereon and have been conveyed to Class "A" Members other than Builders;
- (ii) twenty (20) years after the date of recording of this Declaration; or
- (iii) such earlier date as the Class "B" Member, in its sole discretion, executes and records a written notice voluntarily terminating the Class "B" membership.

Upon termination of the Class "B" membership, Declarant shall hold a Class "A" membership for each Unit that it owns.

(b) **Automatic Membership; Exercise of Privileges.** Every Owner automatically becomes a Member of the Association upon taking title to a Unit and remains a Member as long as the Owner holds title to such Unit. There shall be only one (1) membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3 and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner that is not a natural person may be exercised by any officer, director, partner or trustee or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

6.3. Voting.

The voting rights of each class of membership shall be as follows:

(a) **Class "A."** Each Unit owned by a Class "A" Member is assigned one (1) vote equal to that of every other Unit owned by a Class "A" Member. If there is more than one Owner of a Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

No vote shall be exercised for any property that is exempt from assessment under Section 9.7.

(b) **Class "B."** The Class "B" Member shall not have Class "B" voting rights relative to the number of Units it owns; rather, the consent of the Class "B" Member shall be required for various actions of the Board, the membership and committees, as specifically provided elsewhere in the Governing Documents. In addition, the Class "B" Member may appoint a majority of the members (and remove such appointed members) of the Board of Directors during the Class "B" Control Period, as specified in the By-Laws. Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents. In addition, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the By-Laws.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

(a) The Association, through action of its Board, may acquire, hold, lease (as lessor or lessee), operate and dispose of tangible and intangible personal property and real property, subject to the provisions of Article XIX. The Association may enter into leases, licenses or operating agreements for portions of the Common Area, for such consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by community organizations and by others, whether nonprofit or for profit, for the provision of goods or services for the general benefit or convenience of owners, occupants and residents of the Community.

(b) Declarant, any Declarant Affiliate and their respective designees may convey to the Association, and the Association shall accept, personal property and fee title, leasehold or other property interests in any real property, improved or unimproved, described in Exhibit A or otherwise added to the Community pursuant to Section 10.1. Upon Declarant's written request, the Association shall re-convey to Declarant any unimproved portions of the Common Area that Declarant originally conveyed to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

(c) Declarant may convey Common Area to the Association in one or more transactions. Each conveyance of Common Area shall be free and clear of all liens and encumbrances of a monetary nature.

(d) The Association shall be responsible for management, operation and control of the Common Area, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate. The Association may permit use of Common Area facilities by persons other than Owners and occupants of Units and may charge use fees, in such amount as the Board may establish, for such use.

7.2. Maintenance of Area of Common Responsibility.

(a) Except as otherwise provided in this Section, the Association shall maintain the Area of Common Responsibility in accordance with the Community-Wide Standard. The Area of Common Responsibility shall include, but need not be limited to:

(i) all portions of and structures situated on the Common Area, including recreation areas and open space;

(ii) all streets and alleys within the Community unless and until such time as they are accepted by a public body for perpetual maintenance; provided, the Association shall have no responsibility for removal of snow or ice on streets or alleys;

(iii) any landscaping, signage, sidewalks and street trees within public rights-of-way or sidewalk easements lying within or abutting the property subject to this Declaration, except to the extent such responsibility is otherwise assigned to Owners pursuant to Section 5.1 or assumed by a governmental body or utility provider;

(iv) streetlights and light poles along streets and alleys within the Community, unless such streetlights are leased from and maintained by the utility provider pursuant to the terms of any lease;

(v) all culverts, pipes, ponds and other stormwater management facilities located within the Common Area, rights-of-way or easements granted to the Association and any pipes, lines, pumps or other apparatus comprising any irrigation system supplying irrigation water to the Area of Common Responsibility, to the extent located within Common Area, rights-of-way or easements granted to the Association;

(vi) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration or any contract or agreement for maintenance thereof entered into by the Association; and

(vii) any property and facilities Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities shall be identified by written notice from Declarant to the Association and will remain part of the Area of Common Responsibility maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property it does not own, including property dedicated to the public, if the Board of Directors determines such maintenance is necessary or desirable to maintain the Community-Wide Standard.

(b) Some portions of the Area of Common Responsibility may consist of open space or conservation areas intentionally left in a natural or relatively undisturbed state. The level of maintenance the Association provides to the Area of Common Responsibility may vary from a high level of landscaping and regular, weekly maintenance to intermittent or no maintenance, depending on the nature and intended use of the particular open space area. Open space, wetlands or other natural areas may serve as habitats for a variety of native plant, animal and insect species and may contain creeks, fallen trees and other naturally occurring conditions, some of which may pose hazards to persons or pets coming in contact with them. Neither the Association, Declarant, nor any Builder shall have any responsibility for providing maintenance in such areas or taking action to abate such conditions, and any maintenance provided shall be consistent with the terms of any recorded restrictions or easements affecting such property.

(c) The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the Board's sole discretion, to perform required maintenance or repairs, unless Members entitled to cast at least seventy-five percent (75%) of the total Class "A" votes in the Association and, during the Development and Sale Period, Declarant, agree in writing to discontinue such operation.

Except as provided above, the Area of Common Responsibility shall not be reduced without Declarant's prior written approval as long as Declarant owns any property described in Exhibit A of this Declaration.

(d) Except as otherwise specifically provided in this Declaration or any applicable Supplemental Declaration, the costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense, subject to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants or agreements with the owner(s) thereof. The costs the Association incurs or expects to incur for maintenance, repair and replacement of Limited Common Areas shall be a Service Area Expense assessed against the Units within the Service Area to which the Limited Common Areas are assigned.

(e) The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property it does not own except to the extent it has been negligent in the performance of its maintenance responsibilities.

7.3. Provision of Benefits and Services to Service Areas.

(a) Declarant, on Exhibit A to this Declaration and/or by Supplemental Declaration submitting additional property to this Declaration, may assign the property submitted thereby to one or more Service Areas (by name or other identifying designation) as it deems appropriate, which Service Areas may be then existing or newly created, and may require the Association to provide benefits or services to such Units in addition to those the Association generally provides to all Units. So long as it has the right to subject additional property to this Declaration pursuant to Section 10.1, Declarant may amend unilaterally this Declaration or any Supplemental Declaration to re-designate Service Area boundaries; provided, nothing in this Section shall authorize Declarant to assign property owned by a Builder to a Service Area without the consent of the Builder. All costs associated with the provision of services or benefits to a Service Area shall be assessed against the Units within the Service Area as a Service Area Assessment.

(b) In addition to Service Areas Declarant may designate, any group of Owners may petition the Board to designate their Units as a Service Area for the purpose of receiving from the Association (a)

special benefits or services that are not provided to all Units or (b) a higher level of service than the Association otherwise provides. Upon receipt of such petition signed by Owners of a majority of the Units within the proposed Service Area, the Board shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the charge to be made therefor, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Unit among all Service Areas receiving the same service). Upon written approval of the proposal by Owners of at least sixty-seven percent (67%) of the Units within the proposed Service Area, the Association shall provide the requested benefits or services on the terms set forth in the proposal. The cost and administrative charges associated with such benefits or services shall be assessed against the Units within such Service Area as a Service Area Assessment, subject to the right of the Owners of Units within the Service Area to veto the budget for their Service Area as provided in Section 8.2.

7.4. Insurance.

(a) **Required Coverage.** The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverage as are reasonably available:

(i) Blanket property insurance covering “risks of direct physical loss” for all insurable improvements on the Common Area and within the Area of Common Responsibility to the extent the Association has assumed responsibility in the event of a casualty, regardless of ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury and property damage; provided, should additional coverage and higher limits be available at reasonable cost that a reasonably prudent person would obtain, the Association shall obtain such additional coverage or limits;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage;

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board’s business judgment, but not less than an amount equal to one-quarter (1/4) of the annual General Assessments on all Units, plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable.

In addition, the Association shall, if so specified in a Supplemental Declaration applicable to any Service Area, obtain and maintain property insurance on the insurable improvements within such Service

Area, which insurance shall comply with the requirements of Section 7.4(a)(i). Any such policies shall provide for a certificate of insurance to be furnished upon request to the Owner of each Unit insured.

Premiums for all insurance maintained by the Association on the Area of Common Responsibility shall be Common Expenses, except that (i) premiums for property insurance on Units within a Service Area shall be a Service Area Expense; and (ii) premiums for insurance on Limited Common Areas shall be a Service Area Expense of the Service Area to which such Limited Common Areas are assigned, unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association shall arrange for a periodic review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Raleigh, North Carolina area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.4(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Service Area Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall:

- (i) be written with a company authorized to do business in North Carolina that satisfies the requirements of the Federal National Mortgage Association ("**Fannie Mae**"), or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;
- (ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies secured on behalf of a Service Area shall be for the benefit of the Owners within the Service Area and their Mortgagees, as their interests may appear;
- (iii) be primary and not be brought into contribution with insurance purchased by Owners, occupants or their Mortgagees individually;
- (iv) contain an inflation guard endorsement;
- (v) include an agreed amount endorsement, if the policy contains a co-insurance clause;
- (vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member);
- (vii) provide a waiver of subrogation under the policy against any Owner or occupant of any Unit;

(viii) include an endorsement precluding cancellation, invalidation, suspension or non-renewal by the insurer on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and

(ix) include an endorsement precluding cancellation, invalidation or condition to recovery under the policy on account of any act or omission of any one or more individual Owners or members of their households, unless such Owner is acting within the scope of its authority on behalf of the Association.

In addition, the Board shall use reasonable efforts to secure insurance policies that list the Owners as additional insureds and provide:

(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees and its manager, the Owners and their tenants, servants, agents and guests;

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(iii) an endorsement requiring at least thirty (30) days' prior written notice to the Association of any cancellation, substantial modification or non-renewal;

(iv) a cross liability provision; and

(v) a provision vesting in the Board exclusive authority to adjust losses; provided, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) **Restoring Damaged Improvements.** In the event of damage to or destruction of Common Area or other property the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

The Association shall cause damaged improvements on the Common Area to be repaired or reconstructed unless a decision not to repair or reconstruct is approved within sixty (60) days after the loss or damage by Owners of at least eighty percent (80%) of the Units, including one hundred percent (100%) of the Units to which any Limited Common Area is assigned, if the damaged improvements are Limited Common Area, and during the Development and Sale Period, by Declarant. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such sixty (60) day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed sixty (60) additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be distributed as follows: (i) to the extent the excess insurance proceeds are attributable to damaged improvements on Limited Common Area that are not

rebuilt, they shall be distributed to the Owners of Units to which such Limited Common Area was assigned or to their Mortgagees, as their interests may appear; and (ii) the remainder shall be distributed to all of the Owners or their Mortgagees, as their interests may appear, at an equal rate per Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 7.4(a).

7.5. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents as set forth in this Section and elsewhere in the Governing Documents.

(b) The Board may impose the following sanctions only after notice and a hearing in accordance with the procedures set forth herein:

(i) imposing reasonable monetary fines (subject to the limitations set forth in Section 47F-3-107 of the Act), which shall constitute a lien upon the violator's Unit (If any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(ii) suspending the vote attributable to a violating Owner's Unit, suspending the privilege of using any recreational facilities within the Common Area and suspending any services the Association provides to an Owner or the Owner's Unit, during any period the Owner is more than thirty (30) days delinquent in paying any assessment or other charge owed to the Association or for a reasonable period for other violations of the Governing Documents;

(iii) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Design Guidelines from continuing or performing any further activities in the Community; and

(iv) levying Specific Assessments pursuant to Section 9.4 to cover costs the Association incurs to bring a Unit into compliance with the Governing Documents or costs incurred as a consequence of the conduct of an Owner or occupant of a Unit, their guests or invitees.

(c) In addition, the Association, acting through the Board or its designee, may take the following action to enforce the Governing Documents without the necessity of compliance with the procedures set forth in the By-Laws:

(i) requiring an Owner, at the Owner's expense, to perform maintenance on such Owner's Unit or to remove any structure, item or improvement on such Owner's Unit in violation of the Governing Documents and to restore the Unit to its previous condition;

(ii) entering the property and exercising self-help to remove or cure a violating condition upon failure of an Owner to take action as required pursuant to subsection (i) above within ten (10) days after receipt of written notice to do so, and any such entry shall not be deemed a trespass;

(iii) exercising self-help in any situation that requires prompt action to avoid potential injury or damage or unreasonable inconvenience to other persons or their property (specifically including the towing of vehicles that are in violation of parking rules and regulations); and/or

(iv) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both, subject to the procedures set forth in Article XV, if applicable.

(d) The Association also shall have the power to require specific action to be taken by any Additional Association in connection with its obligations and responsibilities under this Declaration, such as requiring specific maintenance or repairs or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefor. An Additional Association shall take appropriate action required by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Additional Association fails to comply, the Association shall have the right to effect such action on behalf of the Additional Association and levy Specific Assessments to cover the costs, as well as an administrative charge and sanctions.

(e) All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including attorney's fees and court costs, reasonably incurred in such action.

(f) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;

(ii) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) it is not in the Association's best interests, based upon hardship, expense or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction or rule.

(g) The Association, by contract or other agreement, may enforce applicable municipal ordinances and may permit the Town of Wendell to enforce applicable ordinances within the Community for the benefit of the Association and its Members.

7.6. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents or reasonably implied from or reasonably necessary to effectuate any such right or privilege.

All rights and powers of the Association may be exercised by the Board without a vote of the membership except to the extent the Governing Documents or North Carolina law specifically require a vote of the membership.

The Board may institute, defend, settle or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation or administrative proceedings in matters pertaining to the Area of Common Responsibility or enforcement of the Governing Documents. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or its Members.

In exercising the rights and powers of the Association, making decisions on behalf of the Association and conducting the Association's affairs, Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in Article VI of the By-Laws.

7.7. Provision of Services to Units.

The Association may provide, or provide for, services and facilities for the Owners and their Units, and shall be authorized to enter into and terminate contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Association may enter into bulk service agreements by which a particular service is provided (a) to all Units, in which case it may include the costs of such services or facilities in the Association's budget as a Common Expense and assess it as part of the General Assessment; (b) to all Units that have been improved with a completed dwelling and conveyed for residential occupancy or which are actually occupied ("**Occupied Units**"); or (c) at the option of each Owner, in which case the cost may be levied as a Specific Assessment. By way of example, such services and facilities might include trash collection, recycling services, landscape maintenance; pest control service; cable, digital, satellite or similar television service; telecommunication and internet connection services; security monitoring; utilities; and other services and facilities.

Any Association contract for services may require individual Owners or occupants to execute separate agreements directly with the Persons providing components or services to gain access to or obtain specified services. Such contracts and agreements may contain terms and conditions that, if violated by the Owner or occupant of a Unit, may result in termination of services provided to such Unit. Any such termination shall not relieve the Owner of the continuing obligation to pay assessments for any portion of the charges for such service that are assessed against the Unit as a Common Expense or Service Area Expense pursuant to this Article.

In its discretion, the Board may discontinue offering particular services and may modify or cancel existing contracts for services, subject to the contract terms and any provision that may exist elsewhere in the Governing Documents requiring the Association to provide such services.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, the Board shall be permitted to modify or cancel existing contracts for services in its discretion, unless the provision of such services is otherwise required by the Governing Documents. Non-use of services provided to all Owners or Units as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

7.8. Relationships with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with any neighboring property to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

Declarant may prepare, execute and record a document creating a covenant to share costs by which the Association or Owners of Units in the Community and the owners of properties located adjacent to or in the vicinity of the Community will be obligated to share costs of maintaining certain mutually beneficial properties and/or providing certain mutually beneficial services, as described in such document ("**Covenant to Share Costs**"). The Covenant to Share Costs may obligate the Association to provide such maintenance and other services to such property and may authorize the Association to collect a specified portion of the costs it incurs from the owners of such other properties or any owners association having jurisdiction over such other properties. In addition, the Association may contract with the owner of any neighboring property to provide for an assumption by the Association of maintenance of any stormwater facilities, road rights-of-way, community signage and entry features or open space benefiting the Community and/or the sharing of costs associated with (a) maintenance and operation of mutually beneficial properties or facilities, or (b) provision of mutually beneficial services.

7.9. Use of Technology.

The Association may, as a Common Expense, provide for or offer services that make use of technological opportunities to facilitate the goals and fulfill the responsibilities of the Association. For example, to the extent North Carolina law permits, and unless otherwise specifically prohibited in the Governing Documents, the Association may send required notices by electronic means; hold Board or Association meetings and permit attendance and voting by electronic means; collect assessments by electronic means; sponsor a community cable television channel; create and maintain a community intranet or internet homepage; and maintain an "online" newsletter or bulletin board.

7.10. Safety and Security.

THE ASSOCIATION MAY, BUT SHALL NOT BE OBLIGATED TO, MAINTAIN OR SUPPORT CERTAIN ACTIVITIES WITHIN THE COMMUNITY DESIGNED TO ENHANCE THE LEVEL OF SAFETY OR SECURITY THAT EACH PERSON PROVIDES FOR HIMSELF AND HIS PROPERTY. HOWEVER, NO REPRESENTATION OR WARRANTY IS MADE THAT ANY SYSTEMS OR MEASURES, INCLUDING ANY MECHANISM OR SYSTEM FOR LIMITING ACCESS TO THE COMMUNITY OR ANY PORTION THEREOF, CANNOT BE COMPROMISED OR CIRCUMVENTED, NOR THAT ANY SUCH SYSTEMS OR SECURITY MEASURES UNDERTAKEN WILL IN ALL CASES PREVENT LOSS OR PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. NEITHER THE ASSOCIATION, DECLARANT, THE BUILDERS, NOR THE MEMBERS, PARTNERS, AFFILIATES, OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES OF ANY OF THE FOREGOING, SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SAFETY OR SECURITY WITHIN THE COMMUNITY, NOR SHALL EITHER BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF EITHER THE FAILURE TO PROVIDE ADEQUATE SECURITY OR THE INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN.

EACH OWNER AND OCCUPANT OF A UNIT, AND THEIR RESPECTIVE GUESTS AND INVITEES, SHALL BE RESPONSIBLE FOR THEIR OWN PERSONAL SAFETY AND THE SECURITY OF THEIR PROPERTY IN THE COMMUNITY, AND EACH OF THEM ASSUMES ALL RISKS OF PERSONAL INJURY AND LOSS OR DAMAGE TO THEIR PROPERTY, INCLUDING UNITS AND THEIR CONTENTS, RESULTING FROM ACTS OF THIRD PARTIES.

Article VIII Enforcement Procedures

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

8.1. Notice and Response.

The Board or its delegate shall serve the alleged violator with written notice describing (a) the nature of the alleged violation, (b) the proposed sanction to be imposed, (c) a period of not less than ten (10) days within which the alleged violator may present a written request for a hearing to the Board; and (d) a statement that the proposed sanction maybe imposed as contained in the notice unless a hearing is requested within ten (10) days of the notice.

The alleged violator shall respond to the notice of the alleged violation in writing within such 10 day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board in writing within such ten (10) day period the Board may, but shall not be obligated to, waive the sanction.

Prior to the effectiveness of sanctions imposed pursuant to this Article, proof of proper notice shall be placed in the minutes of the Board. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

8.2. Hearing.

If a hearing is requested within the allotted ten (10) day period, the hearing shall be held before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meetings of the Board shall contain a written statement of the results of the hearing (i.e., the decision of the Board) and the sanction, if any, to be imposed.

If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

Notwithstanding the foregoing, the Board may appoint a committee consisting of at least three (3) and no more than seven (7) Members to act as the hearing tribunal of the Association who shall serve and may be removed and replaced in the Board’s discretion.

8.3. Appeal.

If the hearing is held before a committee appointed by the Board, the violator shall have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by an Association officer within ten (10) days after the hearing date.

Article IX Association Finances

9.1. Authority to Levy Assessments for Association Expenses.

(a) *Purposes.* There are hereby created, and the Association is hereby authorized to levy, assessments for expenses incurred or anticipated to be incurred by the Association in performing its responsibilities and exercising its rights and powers under this Declaration, any Supplemental Declaration, the Articles and the Bylaws, specifically including: expenses of maintaining, repairing, replacing, improving, operating and insuring the Area of Common Responsibility, including amounts due to third parties who perform such tasks on behalf of the Association, and the costs of labor, equipment, materials, management, supervision and utilities; taxes, if any, imposed on the Association or the Common Area; the cost of insurance and fidelity bond coverage obtained pursuant to Section 7.4; the cost of water or other utilities provided to the Area of Common Responsibility, and to Units if metered through a master meter and billed to the Association; charges for services provided to Units pursuant to Section 7.7; expenses of monitoring and enforcing compliance with the provisions of the Governing Documents; expenses arising out of the Association's indemnification obligations; expenses arising out of any measure undertaken to enhance the safety of the Owners and occupants of Units and the Community; expenses incurred in exercising design control under Article IV; expenses of managing the Association, including compensation of management personnel, maintaining books and records, handling Association funds, providing financial reports and corresponding with Members; administrative expenses such as postage, copying expense, office supplies and equipment; legal, accounting and other professional fees; and such other expenses as the Board deems necessary or desirable to keep the Community in good, clean and attractive condition and to maintain and enhance property values and marketability of Units within the Community.

(b) *Types of Assessments.* There shall be four (4) types of assessments: (i) General Assessments; (ii) Service Area Assessments; (iii) Special Assessments as described in Section 9.3; and (iv) Specific Assessments as described in Section 9.4. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Community, is deemed to covenant and agree to pay these assessments. Such assessments shall commence at the time and in the manner set forth in Section 9.5.

(c) *Personal Obligation and Lien.* Each Owner, by accepting title or entering into a recorded contract of sale for any portion of the Community, is deemed to covenant and agree to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of ten percent (10%) per annum or such higher rate as the Board may establish by resolution, not to exceed eighteen percent (18%) per annum), late charges as determined by Board resolution (subject to the limitations of North Carolina law), costs and reasonable attorneys fees, shall be the personal obligation of each Owner, and a charge and continuing lien upon each Unit as provided in Section 9.6, until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay General Assessments and Service Area Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfall.

No Owner may exempt himself or herself from liability for assessments by non-use of Common Area, abandonment of his or her Unit or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-

off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Within ten (10) business days after receipt of a written request therefor, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth the amount of any unpaid assessments or other charges levied on the Unit. Such certificate shall be binding on the Association and every Owner. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(d) *Declarant's Obligations for Assessments.* During the Class "B" Control Period, Declarant may satisfy its obligation for General Assessments and Special Assessments for Common Expenses on any Units it owns either in the form of cash or by "in kind" contributions of services or materials or by a combination of these at the commercial fair market value of the services or materials. After termination of the Class "B" Control Period, Declarant shall pay assessments on its unsold Units in the same manner as any other Owner, in accordance with the applicable rate of assessment under Section 9.5.

9.2. Budgeting and Allocating Association Expenses.

(a) *Preparation of Budget.* At least sixty (60) days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year. In addition, the Board shall prepare a separate budget for each Service Area reflecting the estimated Service Area Expenses the Association expects to incur for the benefit of such Service Area in the coming year.

The estimated expenses in each budget shall include, in addition to any operating reserves, a reasonable contribution to a reserve fund for repair and replacement of any capital items to be maintained as a Common Expense or as a Service Area Expense of the Service Area for whom the budget is prepared, as applicable. In determining the amount of such reserve contribution, the Board shall take into account the number and nature of replaceable assets, the expected useful life of each, the expected repair or replacement cost and the contribution required to fund the projected need by an annual contribution over the useful life of the asset.

Each budget also shall reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units and the amount to be generated through the levy of assessments.

(b) *Calculation of General Assessments.* Upon determining the total amount of income required to be generated through the levy of General Assessments, the Board shall establish the General Assessment at an equal rate per Unit, subject to discount for Units never occupied, as provided in Section 9.5.

Declarant may, but shall not be obligated to, reduce the General Assessment for any fiscal year by payment of a subsidy. Any such subsidy may be treated as a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy and the characterization thereof shall be conspicuously disclosed as a line item in the income portion of the budget. In addition, Declarant may loan funds to the Association to cover one-time Common Expenses, such as the cost of an irrigation well to provide low-cost irrigation water to the Common Area or for the purchase of street lights, and any such loans and the debt service shall be disclosed in the budget as applicable. If characterized as a loan, Declarant may charge and collect interest on the outstanding principal balance of the loan at a rate not to exceed the greater of ten percent (10%) per annum or two (2)

percentage points over the prime rate published by the Wall Street Journal on the date of such loan, such interest rate to be set forth in a promissory note executed on behalf of the Association. Payment of such subsidy in any year shall not obligate Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

(c) **Calculation of Service Area Assessments.** Except as may otherwise be provided in this Declaration or any applicable Supplemental Declaration, the total amount of estimated Service Area Expenses for each Service Area shall be allocated equally among all Units in the benefited Service Area that are subject to assessment under Section 9.5, to be levied as a Service Area Assessment; provided, unless otherwise specified in the applicable Supplemental Declaration, any portion of the assessment intended for exterior maintenance of structures, insurance on structures or replacement reserves that pertain to particular structures may be levied on each of the benefited Units in proportion to the benefit received, as the Board may reasonably determine.

All amounts the Association collects as Service Area Assessments shall be held in trust for and expended solely for the benefit of the Service Area for which they were collected and shall be accounted for separately from the Association's general funds.

(d) **Notice of Budget and Assessment; Ratification.** Within thirty (30) days following the Board's adoption of any new or revised budget under Section 9.2(a) or (c), the Board shall send a summary of the applicable budget, together with notice of the amount of the General Assessment or Service Area Assessment to be levied pursuant to such budget, to each Owner to be assessed thereunder. The budget shall be accompanied by notice of the date, time and location of a meeting to consider ratification, which meeting shall be set by the Board and shall occur no less than ten (10), nor more than sixty (60), days after mailing of the budget summary and notice. The notice shall include a statement that the meeting may be held and the budget may be ratified without a quorum being present.

The General Budget shall be deemed ratified unless rejected at the meeting by Owners of at least seventy-five percent (75%) of the total number of Units then subject to the Declaration. The Service Area Expense budget for each Service Area shall be deemed ratified unless rejected by Owners of at least seventy-five percent (75%) of the total number of Units in the Service Area to which the budget applies, except the right to reject a Service Area budget shall apply only to those line items that are attributable to services or benefits requested by the Service Area and shall not apply to any item which the Governing Documents require to be assessed as a Service Area Expense.

If any proposed budget or budget revision is rejected by the percentage vote specified above, then the budget most recently in effect shall continue in effect until a new budget is determined.

(e) **Budget Revisions.** The Board may revise the budget and adjust the General Assessment or Service Area Assessments from time to time during the year, subject to the notice and ratification requirements set forth above.

9.3. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted under Section 9.2 or expenses for maintenance, reconstruction and repair of stormwater facilities in the Community. Any such Special Assessment may be levied against the entire membership if such Special Assessment is for general Common Expenses or against the Units within any Service Area if such Special Assessment is for Service Area Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Members entitled to cast more than

fifty percent (50%) of the total votes allocated to Units that will be subject to such Special Assessment and, during the Development and Sale Period, the written consent of Declarant. Except as otherwise provided in Section 9.5, Special Assessments shall be levied equally on all Units subject to such assessment.

9.4. Specific Assessments.

The Association shall have the power to levy Specific Assessments against a particular Unit as follows:

- (a) to cover the costs, including overhead and administrative costs, of providing services to the Unit upon request of the Owner pursuant to any menu of special services that the Association may offer (which might include the items identified in Section 7.7). Specific Assessments for special services may be levied in advance of the provision of the requested service;
- (b) in the case of an Occupied Unit (as defined in Section 7.7), to cover the charges for services provided to all Occupied Units pursuant to any bulk service or similar agreement entered into by the Association pursuant to Section 9.1;
- (c) for monetary fines imposed pursuant to Section 7.5 and to cover costs incurred in bringing the Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees or guests; provided, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing in accordance with the By-Laws, before levying any Specific Assessment under this subsection; and
- (d) pursuant to Section 9.8.

9.5. Payment of Assessments.

Except as otherwise provided herein, the obligation to pay assessments shall commence as to each Unit on the first day of the month following: (a) the month in which a certificate of occupancy is issued for the Unit, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual General Assessment levied on each Unit, whether levied at the partial or full rate, shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the General Assessment and any Service Area Assessment shall be due and payable in advance on the first day of each fiscal year.

If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately or it may, in its discretion, permit payment of the outstanding balance in installments. Neither the Association nor the Owner is obligated to accept any proposed installment payment schedule. The Board may add reasonable administrative fees and costs for accepting and processing installments to the outstanding balance and include them in the installment payment schedule; provided, such costs may include reasonable attorneys fees only if the Owner has first been given notice of the Board's intention to recover attorneys fees and

court costs, as required by Section 47F-3-116 of the Act, and given fifteen (15) days from the mailing of the notice to pay the outstanding balance without attorneys fees and court costs. The notice also shall provide the name and telephone number for a representative of the Association with whom the Owner may speak to discuss a payment schedule.

9.6. Lien for Assessments.

(a) Subject to North Carolina law, as it may be amended, if any assessment or installment thereof remains unpaid thirty (30) days or more after the due date, the Association shall, upon filing a claim of lien in the office of the clerk of the Superior Court of Wake County, North Carolina conforming to the requirements of Section 47F-3-116 of the Act, have a lien against each Unit in favor of the Association to secure payment of assessments, as well as interest, late charges and costs of collection (including attorneys fees and court costs, if and to the extent authorized under Section 9.5 and the Act). Subject to the limitations of North Carolina law, such lien shall be superior to all other liens, except (i) the liens of all taxes, bonds, assessments and other levies which by law would be superior, and (ii) the lien or charge of any recorded first Mortgage (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value.

(b) The Association may foreclose its lien through judicial or, to the extent allowed by law, nonjudicial foreclosure proceedings in accordance with North Carolina law, as it may be amended, except any lien securing only fines and/or service or collection fees may be foreclosed only by judicial foreclosure.

(c) The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage and convey the Unit. While a Unit is owned by the Association following foreclosure: (i) no right to vote shall be exercised on its behalf; (ii) no assessment shall be levied on it; and (iii) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing such assessments or charges, in addition to pursuing any and all remedies allowed by law to enforce the lien.

(d) Sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner of the foreclosed Unit shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 9.5, including such acquirer, its successors and assigns.

9.7. Exempt Property.

(a) The following property shall be exempt from payment of General Assessments, Service Area Assessments and Special Assessments:

(i) all Common Area, public streets and alleys and such portions of the property owned by Declarant as are included in the Area of Common Responsibility; and

(ii) property owned by any Additional Association for the common use and enjoyment of its members or owned by the members of an Additional Association as tenants-in-common.

- (b) In addition, Declarant or the Association may, but shall not be obligated to, grant a full or partial exemption from assessments for:
- (i) any property owned by a governmental authority or public utility for public purposes, including schools, public safety facilities, parks and utility infrastructure; and/or
 - (ii) any property owned by Persons qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code, so long as such Persons own the property for purposes listed in Section 501(c) of the Internal Revenue Code; and/or
 - (iii) unimproved Units.

9.8. Capitalization of Association.

Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant or a Builder, Declarant shall have the option to require a contribution by or on behalf of the purchaser to the working capital of the Association in the amount of one-sixth (1/6) of the full General Assessment for the year in which such acquisition occurs. This amount shall be in addition to, not in lieu of, the annual General Assessment and any applicable Service Area Assessment and shall not be considered an advance payment of such assessments, but rather shall be considered a Specific Assessment secured by the Association's lien for assessments under Section 9.6. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to this Declaration and the By-Laws.

9.9. Use and Consumption Fees.

The Board may charge use, consumption or activity fees to any Person using Association services or facilities or participating in Association-sponsored activities. The Board may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (e.g., Owners and non-Owners).

PART FOUR: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to the developer to facilitate the smooth and orderly development of the Community and to accommodate changes in the Master Plan that inevitably occur as a community such as Wendell Falls is developed.

Article X Expansion of the Community and Withdrawal of Property

10.1. Expansion by Declarant.

Declarant may from time to time expand the Community to include additional property by recording a Supplemental Declaration describing the additional property and stating the intent to submit it to the provisions of this Declaration. A Supplemental Declaration recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to expand the Community pursuant to this Section shall twenty (20) years after this Declaration is recorded. Until then, Declarant may transfer, assign or otherwise permit this right to be exercised by any Person or Persons who are the developers of at least a portion of the real property

described in Exhibit A. Any such transfer, assignment or permission shall be memorialized in a written, recorded instrument executed by Declarant and the Person to whom it is assigned.

Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration.

10.2. Expansion by the Association.

The Association also may expand the Community to include additional property by recording a Supplemental Declaration describing the additional property and the intent to submit it to the provisions of this Declaration. Any such Supplemental Declaration shall require the affirmative vote of Members entitled to cast at least sixty percent (60%) of the Class "A" votes in the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. In addition, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 10.1, Declarant's consent shall be necessary. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property and by Declarant, if Declarant's consent is necessary.

10.3. Additional Covenants and Easements.

Declarant may subject any portion of the Community to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Service Area Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property to reflect the different character and intended use of such property.

10.4. Withdrawal of Property.

This Declaration is intended to encumber only those portions of the property described in Exhibit A developed as a planned residential community; however, portions of the property described in Exhibit A may be developed for non-residential purposes. Accordingly, Declarant may from time to time withdraw property that has not yet been improved with structures from the effect of this Declaration, which may include any portion of the property described in Exhibit A and any property that may be added to the Community, by recording a Supplemental Declaration describing the property being withdrawn and stating the intent to remove such withdrawn property from the effect of this Declaration. Further, Declarant may, in the same manner, from time to time withdraw subdivided residential Units that have not yet been improved with structures from the effect of this Declaration, which may include any portion of the property described in Exhibit A or any property added to the Community, provided such withdrawal does not reduce the total number of Units then subject to this Declaration by more than ten percent (10%). If the property being withdrawn has been designated by recorded plat as Common Area benefiting exclusively residential Units in the Community, the Association shall consent to such withdrawal. A Supplemental Declaration recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to withdraw property from the effect of this Declaration pursuant to this Section shall expire upon expiration of the Development and Sale Period. Until then, Declarant may transfer,

assign or otherwise permit this right to be exercised by any Person or Persons who are the developers of at least a portion of the real property described in Exhibit A. Any such transfer, assignment or permission shall be memorialized in a written, recorded instrument executed by Declarant and the Person to whom it is assigned.

Nothing in this Declaration shall be construed to require Declarant or any successor to withdraw property from the effect of this Declaration.

10.5. Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration, and any property removed from the effect of this Declaration shall relinquish voting rights in the Association and be relieved of assessment liability under this Declaration arising after such date.

Article XI Additional Rights Reserved to Declarant

11.1. Right to Veto Changes in Standards.

During the Development and Sale Period, Declarant shall have the right to veto any amendment to or modification of the Restrictions and Rules or Design Guidelines.

11.2. Development and Sales Activities.

During the Development and Sale Period:

(a) Declarant and Builders whom Declarant so authorizes may construct and maintain upon portions of the Common Area such facilities and activities as, in Declarant's sole opinion, may be reasonably required, convenient or incidental to the construction or sale of Units, including business offices, signs, model units and sales offices. Declarant and authorized Builders shall have easements for access to and use of such facilities at no charge. Such right shall specifically include the right of Declarant and its designees to use Common Area facilities for an information center and/or for administrative, sales and business offices at no charge and to restrict use or access to such facilities by the Association, its members and others as long as Declarant is using them for such purposes.

(b) Declarant and its employees, agents and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

11.3. Control of and Changes in Development Plan.

Every Person that acquires any interest in the Community acknowledges that Wendell Falls is a master planned community, the development of which is likely to extend over many years, and agrees that neither the Association nor any Additional Association shall engage in, or use Association funds to support, any protest, challenge or other form of objection to (a) changes in uses or density of property within or outside the Community, or (b) changes in the Master Plan as it relates to property outside the Community, without the prior written consent of Declarant, which consent may be granted or withheld in Declarant's sole discretion.

11.4. Additional Covenants.

No Person shall record any declaration of covenants, conditions and restrictions or declaration of condominium or similar instrument affecting any portion of the Community without Declarant's prior review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and recorded by Declarant.

11.5. Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a written instrument signed by Declarant and the transferee and recorded. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration when Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to record any written assignment unless necessary to evidence Declarant's consent to such exercise.

11.6. Exclusive Rights To Use Name of Development.

No Person other than Declarant, its authorized agents and Builders, shall use the name "Wendell Falls," any derivative of such names, or associated logos or depictions, in any electronic, printed or promotional media or material without Declarant's prior written consent. However, Owners may use the name "Wendell Falls" in printed or promotional matter when such term is used solely to specify that particular property is located within the Community. The Association also shall be entitled to use the words "Wendell Falls" in its name.

11.7. Right to Notice of Design or Construction Claims.

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within the Community in connection with or in anticipation of any potential or pending claim, demand or litigation involving such design or construction unless Declarant and any builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the owner of the property to discuss the owner's concerns and conduct their own inspection pursuant to the rights reserved in Section 12.6.

11.8. Right to Convert Unit to Common Area or Roadway.

Declarant reserves the right to convert any Unit it owns to Common Area or to public right-of-way or to a combination of Common Area and right-of-way. Such right shall include a right to convert a Unit to right-of-way for the purpose of providing permanent access to property adjacent to the Community, whether or not such property is made subject to this Declaration. Upon conveyance of any Unit by Declarant to the Association as Common Area, the Unit shall cease to be a Unit and shall thereafter be Common Area. Upon recordation by Declarant of a plat or other instrument establishing a public right-of-way over a Unit that Declarant owns, the Unit shall cease to be a Unit and shall thereafter be treated in the same manner as any other property in the Community that has been dedicated to the public.

11.9. Central Telecommunication, Receiving and Distribution System.

To the extent permitted by applicable law, Declarant reserves for itself, its Affiliates, successors and assignees, the exclusive and perpetual right and easement to operate within the Community, a central telecommunication (including cable television and security monitoring) receiving and distribution system, including conduits, wires, amplifiers, towers, antennae and other related apparatus and equipment (the “Community System”) as Declarant, in its discretion, deems appropriate. Such exclusive and perpetual right shall include Declarant’s right to select and contract with companies licensed to provide telecommunications and cable television service in the Raleigh, North Carolina area and to charge or authorize such provider to charge individual users a reasonable fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules and regulations of any relevant government authority, if applicable.

Declarant may enter into and assign to the Association, or cause the Association to enter into, a bulk rate service agreement providing for access to any Community Systems for all Units as a Common Expense. If particular services or benefits are provided to particular Owners or Units at their request, the benefited Owner(s) shall pay the service provider directly for such services, or the Association may assess the charges as a General Assessment or Specific Assessment and pay such charges to the provider on behalf of the Owners, as the Board deems appropriate.

Further, if any such contract for a Community System is in effect prior to commencement of construction of the dwelling on any Unit, the Design Guidelines may require the dwelling to be pre-wired to connect to such Community System.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association and others within or adjacent to the community.

Article XII Easements

12.1. Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access and enjoyment in and to the Common Area, subject to:

- (a) the Governing Documents and any other applicable covenants;
- (b) any restrictions, limitations or easements contained in any deed conveying such property to the Association;
- (c) the Board’s right to:
 - (i) adopt rules regulating use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;
 - (ii) suspend the right of an Owner to use recreational facilities within the Common Area pursuant to Section 7.5;

- (iii) dedicate or transfer all or any part of the Common Area, subject to Section 19.3;
 - (iv) impose reasonable membership requirements and charge reasonable initiation fees, admission or other use fees for the use of any recreational facility situated upon the Common Area;
 - (v) permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of use fees established by the Board, and designate other areas and facilities within the Area of Common Responsibility as open for the use and enjoyment of the public, with or without charge as the Board may determine, subject to any recorded easements affecting such property; and
 - (vi) mortgage, pledge or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in Section 19.3.
- (d) the rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Article XII; and
- (e) The right of Declarant and its designees, including such Builders as Declarant may authorize, to use portions of the Common Area pursuant to Section 11.2.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

12.2. Easements of Encroachment.

- (a) Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area or right-of-way and between adjacent Units due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three (3) feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.
- (b) Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area or right-of-way and between adjacent Units as reasonably necessary to install, maintain, repair and replace any fence constructed on or within one (1) foot of the boundary line of any Unit.

12.3. Easements for Utilities, Etc.

- (a) *Installation and Maintenance.* Declarant reserves for itself, during the Development and Sale Period, and grants to the Association and all utility providers, perpetual non-exclusive easements throughout the Community (but not through a structure) to the extent reasonably necessary for the purposes of:
- (i) installing utilities and infrastructure to serve the Community, including cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems,

walkways, pathways and trails, stormwater drainage systems, spray irrigation systems and street lights and signage, on property which Declarant, the Association or any Builder owns, or within public rights-of-way or easements reserved for such purpose on recorded plats or in other recorded documents;

(ii) inspecting, maintaining, repairing and replacing the utilities, infrastructure and other improvements described in Section 12.3(a)(i); and

(iii) access to read utility meters.

(b) ***Specific Easements.*** Declarant also reserves for itself the non-exclusive right and power to grant and record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property in the Community or that may be added to the Community. The Owner of any property to be burdened by any easement granted pursuant to this subsection (b) shall be given written notice in advance of the grant. The location of the easement shall be subject to the written approval of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed or conditioned.

(c) ***Minimal Interference.*** All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

12.4. Easements to Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, assigns and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access and development of any additional property that may be developed by Declarant, whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of their respective actions in connection with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefiting from such easement is not made subject to this Declaration, Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance the Association provides to or along any roadway providing access to such property.

12.5. Easements for Maintenance, Emergency and Enforcement.

Declarant grants to the Association easements over the Community as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.2 and otherwise exercise its authority and fulfill its duties under the Governing Documents. The Association also shall have the right, but not the obligation, to enter upon any Unit for emergency, security and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforce the Governing Documents. Such right may be exercised by any member of the Board and its duly authorized agents and

designees and all emergency personnel, including law enforcement, fire fighting, paramedic, rescue and other emergency vehicles, equipment and personnel, in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

12.6. Easement to Inspect and Right to Correct.

Declarant reserves for itself, the Builders and others it may designate the right to inspect, monitor, test, redesign and correct any structure, improvement or condition that may exist on any portion of the property within the Community, including Units, and a perpetual, nonexclusive easement of access throughout the Community to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner and no entry into a dwelling shall be permitted without the consent of the Owner. The person exercising this easement shall promptly repair, at such person's own expense, any damage resulting from such exercise.

12.7. Landscaping and Signage Easements.

Declarant and its designees and the Association shall have perpetual, nonexclusive easements exercisable by their respective employees, agents and contractors over areas within the rights-of-way of streets within the Community and those portions of Units, if any, designated as landscaping and signage easements, landscape buffers or by similar name ("**Landscaping and Signage Easement**") on the recorded subdivision plats relating to the Community for the purpose of installation, maintenance, repair and replacement of lot bollards, neighborhood entrance monuments, signs, fences, lighting, irrigation systems and landscaping within the easement area. Nothing herein shall obligate Declarant or the Association to exercise such easements or to construct or install any of the foregoing within any right-of-way or Landscaping and Signage Easement. No fences, structures, driveways, plantings, swings, wood piles, dog runs or any other objects, temporary or permanent, shall be permitted in such easement areas without the Association's prior written approval, other than those installed by Declarant or its designees.

No person shall interfere with the exercise of this easement by Declarant, its designees or the Association by removing, defacing or otherwise vandalizing any signs (temporary or permanent) or other improvements placed within such easement area by Declarant, its designees or the Association, or otherwise. Declarant, its designees and the Association, respectively, may remove signs or other improvements they have placed on the easement area.

12.8. Easements for Storm Water Collection, Retention and Irrigation Systems.

Declarant reserves for itself and its successors, assigns and designees the nonexclusive right and easement to enter upon any portion of the Common Area and upon any utility or other easement reserved on any recorded plat ("**Easement Areas**"), to (a) install, operate, maintain and replace pumps and lines to transport stormwater and/or treated effluent through the Community and sprinklers and other facilities and equipment for operation of a spray irrigation system to discharge treated effluent within such Easement Areas; (b) use any portion of the Common Area for spray irrigation; (c) construct, maintain and repair structures and equipment used for retaining stormwater runoff and holding treated effluent; and (d) maintain such areas in a manner consistent with the Community-Wide Standard. The person exercising this easement shall promptly return any property damaged as a result of such exercise to substantially the same condition as the property existed prior to the exercise of the easement.

12.9. Facilities and Services Accessible by the Public.

Certain facilities and areas within the Community may be open for use and enjoyment of the public at no charge, and other Common Areas may be open for use and enjoyment of nonprofit

organizations, community groups or the general public on such terms and condition as may be established pursuant to leases, licenses or other agreements entered into by Declarant or the Association or pursuant to any applicable easements. Such use may include the right to hold tournaments or competitions or other special events that attract participants from outside the local community.

Other areas, although intended for the use and/or benefit of residents of the Community, may be accessible by the general public from neighboring properties or public streets, and it may not be practical or cost-effective for the Association to limit or restrict such unauthorized access. The Association may, but shall have no duty to, monitor or restrict unauthorized access to such areas or to take action to remove unauthorized persons from such areas.

12.10. Easements for Maintenance of Water Bodies.

Declarant reserves for itself, the Association and their successors, assigns and designees, a perpetual, nonexclusive right and easement of access over the lakes, detention ponds and other bodies of water and wetlands within the Community, and over the Common Area and Units (but not the dwellings thereon) adjacent to or within twenty-five (25) feet of such lakes, detention ponds or other bodies of water and wetlands, to perform such maintenance and repair as the Board may deem appropriate, which may include maintenance of shorelines, bulkheads and water quality, algae control, removal of silt and debris, breaching of dams, removal of dead or diseased trees, shrubs and plants, all subject to the conditions of any conservation easement applicable to the property. All persons entitled to exercise this easement shall use reasonable care in and repair any damage resulting from the intentional exercise of such easement. Nothing in this Section shall be construed to make Declarant, the Association or any other Person responsible for maintaining any dam, lake or pond or liable for any damage resulting from flooding due to weather events or other natural occurrences.

Article XIII Limited Common Areas

13.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants of particular Units. By way of illustration and not limitation, Limited Common Areas may include entry features, recreational facilities, landscaped areas and other portions of the Common Area primarily serving a limited number of Units. All costs associated with ownership, maintenance, repair, replacement, management, operation and insurance of a Limited Common Area shall be a Service Area Expense allocated among the Owners in the Service Area to which the Limited Common Area is assigned.

13.2. Designation.

Initially, any Limited Common Area shall be designated as such in the deed conveying such area to the Association or on the subdivision plat relating to such Common Area; provided, however, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Units, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 10.1.

Thereafter, a portion of the Common Area may be assigned as Limited Common Area upon approval of (a) the Board, (b) persons entitled to cast a majority of the total Class "A" votes in the Association and (c) persons entitled to cast a majority of the Class "A" votes attributable to Units to which the Limited Common Area is proposed to be assigned or reassigned. During the Development and Sale Period, any such assignment or reassignment also shall require Declarant's written consent.

13.3. Use by Others.

Upon approval of a majority of Owners of Units to which any Limited Common Area is assigned, the Association may permit Owners of other Units to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Service Area Expenses attributable to such Limited Common Area.

Article XIV Party Walls and Other Shared Structures

14.1. General Rules of Law to Apply.

Each wall, fence, driveway or similar structure built as a part of the original construction on the Units that serves and/or separates any two adjoining Units shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Article XV.

14.2. Maintenance; Damage and Destruction.

Except to the extent that a party structure is designated Limited Common Area or responsibility for maintenance or repair is otherwise assigned to or assumed by the Association or any Additional Association pursuant to this Declaration, any applicable Supplemental Declaration or other covenants or written agreement:

(a) the Owners of the Units separated by a fence that constitutes a party structure shall each be responsible for maintaining that side of the fence facing such Owner's Unit; and

(b) to the extent any necessary repair or replacement of a party structure affects both sides of the structure, it shall be the joint responsibility of the Owners of both Units and either Owner may perform the necessary maintenance or repair and, within thirty (30) days after receipt of written evidence of the total cost incurred, the other Owner shall reimburse the Owner who has incurred such cost for one-half (1/2) of the reasonable cost he or she has incurred in performing such maintenance or repair.

Notwithstanding the above, if maintenance or repairs to a party structure are necessitated by the conduct of the Owners, occupants or guests of only one of the Units that share such party structure, then the Owner of such Unit shall be responsible for the necessary maintenance or repairs.

If any Owner installs, constructs or erects a fence on the common boundary line such Owner's Unit and an adjacent Unit and the owner of the adjacent Unit thereafter attaches another section of fence to it or otherwise makes use of such fence for the purpose of enclosing all or a portion of the adjacent Unit, then such fence shall become a party fence for the purpose of each Owner's responsibility for contributing to the maintenance, repair and replacement of such fence. However, nothing herein shall confer any ownership interest in or right to remove any such fence on the Owner of the adjacent Unit.

If either Owner fails to provide necessary maintenance or repairs to a party structure within ten (10) days after the date of written notice from the Association advising of the need for such maintenance or repairs, the Association or any Additional Association having jurisdiction over the Units shall have the right to provide the necessary maintenance or repairs and assess the costs incurred against the responsible Owner(s) and his (or their) Unit(s).

The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner’s successors-in-title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The success of Wendell Falls as a community in which people enjoy living and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors and protection of the rights of others who have an interest in the community.

Article XV Dispute Resolution and Limitation on Litigation

15.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, “**Bound Parties**”), agree it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Community without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 15.2 in a good faith effort to resolve such Claim.

(b) As used in this Article, the term “**Claim**” shall refer to any claim, grievance or dispute arising out of or relating to

- (i) the interpretation, application or enforcement of the Governing Documents;
- (ii) the rights, obligations and duties of any Bound Party under the Governing Documents; or
- (iii) the design or construction of improvements within the Community, other than matters of aesthetic judgment under Article IV, which shall not be subject to review;

except that the following shall not be considered “Claims” unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 15.2:

- (i) any suit by the Association to collect assessments or other amounts due from any Owner;
- (ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary to maintain the status quo and preserve the Association’s ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards) and any suit by the Association to enforce the Governing Documents if the Association has already complied with the notice and hearing procedures set forth in the By-Laws;
- (iii) any suit that does not include Declarant or the Association as a party, if such suit asserts a Claim that would constitute a cause of action independent of the Governing Documents;

- (iv) any suit in which any indispensable party is not a Bound Party; and
- (v) any suit as to which any applicable statute of limitations would expire within one hundred eighty (180) days after giving the Notice required by Section 15.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

15.2. Dispute Resolution Procedures.

(a) **Notice.** The Bound Party asserting a Claim (“**Claimant**”) against another Bound Party (“**Respondent**”) shall give written notice (“**Notice**”) to each Respondent and to the Board stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and the Respondent’s role in the Claim; and
- (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises); and
- (iii) the Claimant’s proposed resolution or remedy; and
- (iv) the Claimant’s desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) **Negotiation.** The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) **Mediation.** If the parties have not resolved the Claim through negotiation within thirty (30) days after the date of the notice described in Section 15.2(a) (or within such other period as the parties may agree upon), the Claimant shall have thirty (30) additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Raleigh, North Carolina area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within thirty (30) days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorney’s fees, and each Party shall share equally all fees charged by the mediator.

Alternative Dispute Resolution Process



(d) **Settlement.** Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including attorneys’ fees and court costs.

15.3. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of persons entitled to cast seventy-five percent (75%) of the total Class “A” votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Class “B” Control Period;
- (b) initiated to enforce the provisions of the Governing Documents, including collection of assessments and foreclosure of liens;
- (c) initiated to challenge ad valorem taxation or condemnation proceedings;
- (d) initiated against any contractor, vendor or supplier of goods or services arising out of a contract for services or supplies; or
- (e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

Article XVI Mortgagee Provisions

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in the Community. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

16.1. Notices of Action.

An institutional holder, insurer or guarantor of a first Mortgage that provides a written request to the Association (such request to state the name and address of such holder, insurer or guarantor) and the street address of the Unit to which its Mortgage relates (thereby becoming an “**Eligible Mortgage Holder**”), will be entitled to timely written notice of:

- (a) Any condemnation loss or any casualty loss that affects a material portion of Wendell Falls or that affects any Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgage Holder;
- (b) Any delinquency in the payment of assessments or charges owed for a Unit subject to the Eligible Mortgage of such Eligible Mortgage Holder, when such delinquency has continued for a period of sixty (60) days, or any other violation of the Governing Documents relating to such Unit or the Owner or occupant that is not cured within sixty (60) days;
- (c) Any lapse, cancellation or material modification of any insurance policy maintained by the Association; or
- (d) Any proposed action that would require the consent of a specified percentage of Eligible Mortgage Holders.

16.2. Special Freddie Mac Provisions.

If a condominium has been established in the Community, then so long as required by the Federal Home Loan Mortgage Corporation ("**Freddie Mac**"), the following provisions apply in addition to the other provisions of this Declaration. Unless at least sixty-seven percent (67%) of the first Mortgagees of Units and Members entitled to cast at least sixty-seven percent (67%) of the total Class "A" votes in the Association consent, the Association shall not:

- (a) seek to abandon, partition, subdivide, encumber, sell or transfer the real property comprising the Common Area that the Association owns (the granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);
- (b) change the method of determining the obligations, assessments, dues or other charges that may be levied against an Owner of a Unit (a decision, including contracts, by the Board or provisions of any Supplemental Declaration subsequently recorded on any portion of the Community regarding assessments for Service Areas or other similar areas shall not be subject to this provision when such decision or Supplemental Declaration is otherwise authorized by this Declaration);
- (c) fail to maintain insurance required by this Declaration; or
- (d) use hazard insurance proceeds for any Common Area losses for other than the repair, replacement or reconstruction of such property.

First Mortgagees may, jointly or severally, pay taxes or other charges that are in default and that may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

16.3. Other Provisions for First Mortgagees.

To the extent not inconsistent with North Carolina law, if a condominium has been established within the Community, then:

(a) any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Mortgage Holders of first Mortgages on Units to which at least fifty-one percent (51%) of the votes of Units subject to Mortgages held by such Eligible Mortgage Holders are allocated.

(b) any election to terminate the Association under other circumstances shall require (i) the consent of Members representing at least sixty-seven percent (67%) of the total votes in the Association and of Declarant, so long as it owns any property subject to this Declaration, and (ii) the approval of Eligible Mortgage Holders of first Mortgagees on Units to which at least sixty-seven percent (67%) of the votes of Units subject to a Mortgage are allocated.

16.4. Amendments to Documents.

If a condominium has been established in any part of the Community, then the consent of Members representing at least sixty-seven percent (67%) of the total Class "A" votes in the Association and of Declarant, so long as it owns any property subject to this Declaration, and the approval of Eligible Mortgage Holders of first Mortgages on at least fifty-one percent (51%) of the Units subject to a Mortgage held by an Eligible Holder, shall be required to materially amend any provisions of this Declaration, By-Laws or Articles of Incorporation concerning Units, or to add any material provisions thereto that establish, provide for, govern or regulate any of the following with respect to Units:

- (a) voting;
- (b) assessments, assessment liens or subordination of such liens;
- (c) reserves for maintenance, repair and replacement of the Common Area;
- (d) insurance or fidelity bonds;
- (e) rights to use the Common Area;
- (f) responsibility for maintenance and repair of property in the Community;
- (g) expansion or contraction of the Community or the addition, annexation or withdrawal of property to or from the Association's jurisdiction, except by Declarant or as otherwise provided in Article X;
- (h) boundaries of any Unit;
- (i) leasing of Units;
- (j) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer or otherwise convey his or her Unit;
- (k) establishment of self-management by the Association when professional management has been required by an Eligible Mortgage Holder; or
- (l) any provisions included in the Governing Documents that are for the express benefit of holders, guarantors or insurers of first Mortgages on Units.

16.5. No Priority.

No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

16.6. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

16.7. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within sixty (60) days after the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

16.8. Amendment by the Board.

Should Freddie Mac, Fannie Mae, the Department of Housing and Urban Development or the Department of Veterans Affairs hereafter eliminate any of their respective requirements that necessitate the provisions of this Article or make any such requirements less stringent, the Board, without the approval of the Members or any Mortgagee, may cause an amendment to this Article to be recorded to reflect such changes.

16.9. Construction of this Article.

Nothing in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under this Declaration, the By-Laws or North Carolina law for any of the acts set out in this Article.

Article XVII Additional Relationships and Disclosures

17.1. Irrigation Using Treated Effluent.

Each Owner and occupant of a Unit, and their respective guests and invitees, are hereby advised that the water used to irrigate property within or adjacent to the Community, including the Area of Common Responsibility and other landscaped areas adjacent or in close proximity to Units, may be treated effluent. Although treated effluent is considered safe for irrigation and limited contact, it is not suitable for human or animal consumption and should not be used for drinking, bathing, swimming or any purpose other than irrigation.

17.2. High Voltage Power Lines; Radio and Telecommunication Towers.

Every Owner and occupant of a Unit is hereby advised there may be high voltage power transmission lines, radio towers and telecommunications towers located within or in the vicinity of the Community. While various studies have failed to establish any causal relationship between living in proximity to high voltage power transmission lines, radio towers or telecommunications towers and cancer or other diseases, there remains some speculation that such a relationship may exist. Every Owner and occupant of a Unit must evaluate such risk for themselves prior to making a decision to purchase or

occupy a Unit. Neither Declarant, Builders nor the Association, or the members, partners, affiliates, officers, directors, agents or employees of any of the foregoing, shall be liable for any damage or injury to any Person or any property arising out of or related to proximity to high voltage power transmission lines, radio towers and/or telecommunications towers.

17.3. Fire Station and Police Substation.

Declarant reserves the right to designate and convey sites anywhere within the Community, subject to local government approvals, for use as a fire station and a police substation or similar facility that would involve emergency vehicles entering, leaving and passing through the Community and alarms and sirens audible within the Community at any time of day or night. Declarant has no obligation to locate any such facility away from dwellings or to take any other action to minimize the disturbance of residents as a result of such alarms and sirens.

17.4. Stormwater Facilities.

Some Units may be located adjacent to Common Area containing lakes, ponds or stormwater detention or retention facilities that may from time to time contain water. Owners and occupants of such Units have no right to erect fences, attach docks, build retaining walls, anchor or store boats or other watercraft, or landscape, clear or otherwise disturb vegetation within natural areas located within the Common Area between the boundary of the Unit and the water's edge, or within the nondisturbance buffer on any Unit.

17.5. Notices and Disclaimers as to Community Systems.

In recognition of the fact that interruptions in service provided by any Community System may occur from time to time, neither the Association, Declarant, nor any Declarant Affiliate shall be held liable for any interruption in Community Systems services.

17.6. Private Amenities.

Any property and facilities located within, adjacent to or near the Community that Persons other than the Association own and operate for recreational and related purposes are "**Private Amenities**." No Person gains any right to enter or to use any Private Amenity by virtue of their membership in the Association or ownership or occupancy of a Unit, except as may be provided in a Covenant to Share Costs. Access to and use of any Private Amenity is strictly subject to the rules and procedures of the owner of such Private Amenity.

All Persons are hereby advised that no representations or warranties have been made or are made by Declarant, the Association, any Builder or by any Person acting on behalf of any of the foregoing with regard to the continuing ownership or operation of the Private Amenities. No purported representation or warranty in such regard, written or oral, shall be effective unless specifically set forth in a written instrument which the record owner of the Private Amenity executes.

Ownership or operation of any Private Amenity may change at any time. This may be for different reasons, such as (a) the sale to or assumption of operations by an independent Person, (b) establishment of, or conversion of the membership structure to, an "equity" club or similar arrangement whereby the members of a Private Amenity or an entity owned or controlled by its members become the owner(s) and/or operator(s) of the Private Amenity, or (c) the conveyance of a Private Amenity to one or more Declarant Affiliates. Consent of the Association, any Additional Association or any Owner shall

not be required to effectuate any change in ownership or operation of any Private Amenity, subject to the terms of any written agreements entered into by such owners.

Rights to use the Private Amenities will be granted only to such person, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

Declarant specifically reserves the right to transfer any amenity facilities created in Wendell Falls to the Association, and the Association shall accept any such transfer or conveyance, provided, the property or facilities are transferred to the Association free and clear of any mortgage.

17.7. View Impairment.

Neither Declarant nor the Association guarantee or represent that any view over and across the Units, any open space within the Community or any Private Amenity will be preserved without impairment. Declarant, Declarant Affiliates, the Association and any Private Amenity owner shall have no obligation to relocate, prune or thin trees or other landscaping except to maintain the Community-Wide Standard or as otherwise required under a separate covenant or agreement. The Association (with respect to the Common Area) and Private Amenity owners (with respect to any Private Amenity) have the right to add trees and other landscaping and construct improvements from time to time, subject to applicable law. There shall be no express or implied easements for view purposes or for the passage of light and air.

17.8. Storms.

Each Owner and occupant of a Unit shall be responsible for his or her own safety in the event of a violent storm and should take appropriate safety precautions (which may include evacuating the Community) to avoid personal injury, including death, and property damage.

The Association may, but shall not be required to, adopt and implement a storm preparedness plan for the Community. In addition, the Association may, but is not obligated to, maintain or support certain activities that promote or enhance safety or security to persons or property in the Community in the event of a violent storm. However, the Association, Declarant and their respective partners, members, directors, officers, agents, affiliates and committees shall not in any way be considered guarantors of safety or security in the Community, nor shall they be held liable for any loss or damage by reason of failure to provide adequate security or safety measures in the event of a violent storm or ineffectiveness of security or safety measures undertaken.

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as Wendell Falls are dynamic and need the ability to monitor and adjust as circumstances, technology, needs and desires and applicable laws change over time.

Article XVIII Changes in Ownership of Units

18.1. Notice of Transfer.

Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven (7) days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title and such other information as the Board may reasonably require. The Person transferring title shall continue to be jointly and severally responsible with the Person accepting title for all obligations of the Owner, including assessment obligations, until the date upon which the Board receives such notice, notwithstanding the transfer of title.

18.2. Administrative Transfer Fee.

The Association may charge an “**Administrative Transfer Fee**” on transfer of title to each Unit to cover the administrative expenses associated with updating the Association’s records. Any such Administrative Transfer Fee shall be reasonably determined by the Board to cover its costs, including any fees charged for updating records by a management company retained by the Association, except that any administrative fee charged on the initial sale of a Unit by a Builder shall not exceed \$25.00.

Article XIX Changes in Common Area

19.1. Condemnation.

If any part of the Common Area shall be taken by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award. Any condemnation award shall be payable to the Association and shall be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within sixty (60) days after such taking Declarant, during the Development and Sale Period, and Members entitled to cast at least seventy-five percent (75%) of the total Class “A” votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.4(c) regarding funds for restoring improvements shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be treated in the same manner as if proceeds from the sale of Common Area pursuant to Section 19.3.

19.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action seeking the partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property that may or may not be subject to this Declaration, subject to such approval as may be required under Section 19.3.

19.3. Mortgaging, Conveyance or Dedication of Common Area.

The Association may dedicate portions of the Common Area to the Town of Wendell, Wake County or the State of North Carolina, or to any other governmental or quasi-governmental entity, or may subject Common Area to a security interest, or may transfer or convey Common Area as follows:

- (a) if Common Area other than Limited Common Area, upon the written direction of Members entitled to cast at least eighty percent (80%) of the total Class "A" votes in the Association and Declarant during the Development and Sale Period; or
- (b) if Limited Common Area, upon written agreement of all Owners of Units to which the Limited Common Area is assigned.

The proceeds from the sale or financing of Common Area other than Limited Common Area shall be an asset of the Association to be used as the Board determines. The proceeds from the sale or financing of Limited Common Area shall be disbursed as provided by the agreement authorizing such sale or security interest.

Notwithstanding the foregoing, during the Class "B" Control Period, Declarant unilaterally may dedicate portions of the Common Area that have not been turned over to the Association to the Town of Wendell, Wake County or the State of North Carolina, or to any other governmental or quasi-governmental entity, or may subject Common Area to a security interest.

No sale or encumbrance of Common Area may deprive any Unit of rights of access or support.

Article XX Amendment of Declaration

20.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until termination of the Class "B" Control Period, Declarant unilaterally may amend this Declaration for any purpose. Thereafter, until termination of the Development and Sale Period, Declarant unilaterally may amend this Declaration for the purpose of (a) bringing any provision into compliance with any applicable governmental statute, rule, regulation or judicial determination; (b) enabling any reputable title insurance company to issue title insurance coverage on the Units; (c) enabling any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans to make, purchase, insure or guarantee mortgage loans on the Units; or (d) complying with the requirements of any state or federal law or any local, state or federal governmental agency. However, any unilateral amendment by Declarant pursuant to this Section shall not materially, adversely affect the allocation of voting rights or assessment burdens among the Units or title to any Unit unless the Owner shall consent in writing.

20.2. By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members entitled to cast at least sixty-seven percent (67%) of the total Class "A" votes in the Association, and during the Development and Sale Period, with Declarant's consent.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

20.3. Validity and Effective Date.

No amendment may remove, revoke or modify any right or privilege of Declarant or the Class “B” Member without the written consent of Declarant or the Class “B” Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within one (1) year after its recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

Amendments shall be indexed in the Grantee index under the names “Wendell Falls” and “Wendell Falls Community Association, Inc.” and in the Grantor index under the name “Wendell Falls Development, LLC.”

20.4. Exhibits.

Exhibit A attached to this Declaration is incorporated by this reference and amendment of such exhibit shall be governed by this Article. Exhibit B attached to this Declaration may be amended as provided in this Article or in Section 3.2.

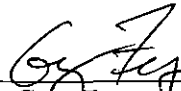
Article XXI Termination of Declaration

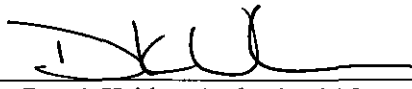
This Declaration may be terminated only upon recording a termination agreement signed by the then Owners of at least eighty percent (80%) of the Units and, during the Development and Sale Period, by Declarant. Nothing in this section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

IN WITNESS WHEREOF, Declarant has executed this Declaration the date and year first written above.

DECLARANT:

WENDELL FALLS DEVELOPMENT, LLC, a North Carolina limited liability company

By: 
Greg Ferguson, Authorized Manager

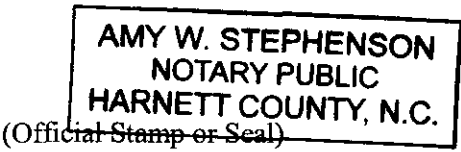
By: 
Derek Krider, Authorized Manager

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Amy W. Stephenson, a Notary Public of County and State aforesaid, do hereby certify that Greg Ferguson, Authorized Manager of Wendell Falls Development, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the company.

Date: 10-1-08


Official Signature of Notary



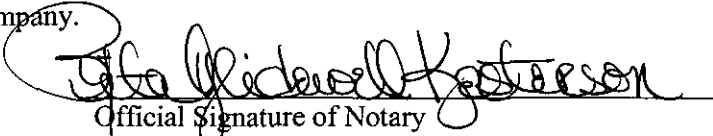
Amy W. Stephenson, Notary Public
Notary Public's printed or typed name

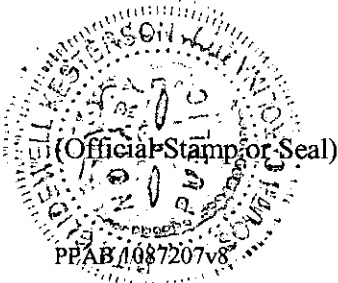
My Commission expires: 10-1-08

STATE OF SOUTH CAROLINA
COUNTY OF HORRY

I, ~~Rita Stephenson~~ Rita Krider, a Notary Public of County and State aforesaid, do hereby certify that Derek Krider, Authorized Manager of Wendell Falls Development, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the company.

Date: 09/30/2008


Official Signature of Notary



~~Rita Stephenson~~ Rita Krider, Notary Public
Notary Public's printed or typed name

My Commission expires: 09/30/2012

EXHIBIT A

Land Initially Submitted

BEING all of those tracts or parcels of land lying and being in Wake County, North Carolina, and being more particularly described and shown as Tracts 3, 6, 8, 9, 10, 11 and 12 on that Annexation Plat entitled, "Annexation Extension Corporate Limits for the Town of Wendell," dated March 10, 2008 and recorded in Book of Maps 2008, Page 1372, Wake County Registry (the "Annexation Plat"), which property is subject to that Ordinance to Extend the Corporate Limits of the Town of Wendell, North Carolina recorded in Book 13182, Page 1653, Wake County Registry.

BEING the same tracts or parcels of land described and/or shown in the following recorded instruments:

REID: 0359352 and PIN: 1773050057

BEING 725.41 acres, more or less, shown as Tract "3" on that certain Exempt Subdivision and Recombination Plat entitled, "Wendell Falls Park Conveyance and Recombination," last revised February 5, 2008, prepared by Withers & Ravenel Engineers/Planners/Surveyors and recorded February 15, 2008 in Book of Maps 2008, Pages 349 through 352, Wake County Registry.

REID: 0360290 and PIN: 1764924051

BEING 156.47 acres, more or less, shown as Tract "6" on that certain Recombination Plat titled, "Wendell Falls Recombination Tracts 6, 7 and 8," dated August 17, 2007, prepared by Withers & Ravenel Engineers/Planners/Surveyors and recorded October 25, 2007 in Book of Maps 2007, Page 2484, Wake County Registry.

REID: 0365763 and PIN: 1764943454

BEING 55.95 acres, more or less, shown as Tract "8" on that certain Recombination Plat titled, "Wendell Falls Recombination Tracts 6, 7 and 8," dated August 17, 2007, prepared by Withers & Ravenel Engineers/Planners/Surveyors and recorded October 25, 2007 in Book of Maps 2007, Page 2484, Wake County Registry.

REID: 0064623 and PIN: 1773199588

BEING 23.9 acres, more or less, as described in a Quitclaim Deed dated January 31, 2006 and recorded February 8, 2006 in Book 11810, Page 243, Wake County Registry.

REID: 0174510 and PIN: 1774204459

BEING 5.91 acres, more or less, as described in a General Warranty Deed dated June 30, 2006 and recorded June 30, 2006 in Book 12038, Page 2223, Wake County Registry.

REID: 0189120 and PIN: 1773174614

BEING 2.41 acres, more or less, as described in a Quitclaim Deed dated January 3, 2007 and recorded January 3, 2007 in Book 12343, Page 1763, Wake County Registry.

REID: 0030165 and PIN: 1773181261

BEING 45.51 acres, more or less, as described in a Quitclaim Deed dated January 3, 2007 and recorded January 3, 2007 in Book 12343, Page 2336, Wake County Registry.

The Annexation Plat recorded in Book of Maps 2008, Page 1372, Wake County Registry, shall control as to the legal descriptions for the above-referenced tracts and parcels of land.

EXHIBIT B

Initial Restrictions and Rules

The following restrictions shall apply to the Community until such time as they are amended, modified, repealed or limited pursuant to Article III of the Declaration.

1. General. The properties submitted to this Declaration shall be used only for residential, recreational and related purposes consistent with this Declaration and any Supplemental Declaration. Such purposes may include an information center and/or a sales office for any real estate broker retained by Declarant to assist in the sale of property described in Exhibit A or any property added to the Community, offices for any property manager retained by the Association, business offices for Declarant and the Association and public facilities.

2. Restricted Activities. The following activities are prohibited within the Community unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:

(a) Parking of any vehicle (other than emergency vehicles in the course of their duties) on public or private streets or alleys within the Community (except within such areas, if any, designated for use as on-street parking and then, on-street parking shall be limited to one side of the street only), or parking of more than two (2) vehicles other than in enclosed garages, or parking of commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles or inoperable vehicles in places other than enclosed garages except temporarily during loading and unloading; provided, construction, service and delivery vehicles shall be exempt from this provision for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Area. For purposes of this provision, "commercial vehicles" shall be defined as trucks or vans with commercial writing on their exteriors or vehicles primarily used or designed for a commercial purpose, and vehicles with advertising signage attached or displayed on such vehicle's exterior, but shall not include passenger cars with identifying decals or painted lettering not exceeding a total area of one (1) square foot in size or official vehicles owned by governmental or quasi-governmental bodies; and

(b) Raising, breeding or keeping animals, livestock or poultry of any kind, except that a reasonable number of dogs, cats or other usual and common household pets may be permitted in a Unit; however, those pets that are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Pets shall be registered, licensed and inoculated as required by law; and

(c) Any activity on a Unit or Common Area that emits foul or obnoxious odors outside a Unit or creates an unreasonable level of noise or other conditions that tend, in the Board's judgment, to unreasonably disturb the peace or threaten the safety of the occupants of other Units (this paragraph shall not preclude normal and customary use of power tools, lawn mowers and other yard maintenance equipment); and

(d) Any activity that violates local, state or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation; and

- (e) Pursuit of hobbies or other activities that tend to cause an unclean, unhealthy or untidy condition to exist outside of enclosed structures on the Unit; and
- (f) Any noxious or offensive activity that in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance or nuisance to persons using the Common Area or to the occupants of other Units; and
- (g) Outside burning of trash, leaves, debris or other materials, except during the normal course of constructing a dwelling on a Unit; and
- (h) Use or discharge of any radio, loudspeaker, horn, whistle, bell or other sound device so as to be audible to occupants of other Units, except alarm devices used exclusively for security purposes; and
- (i) Use and discharge of firecrackers and other fireworks; and
- (j) Dumping grass clippings, leaves or other debris, petroleum products, fertilizers or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, lake or river or elsewhere within the Community, except that fertilizers may be applied to landscaping on Units provided care is taken to minimize runoff; and
- (k) Accumulation of rubbish, trash or garbage except between regular garbage pick ups, and then only in approved containers that must either be stored in an enclosed garage or in the rear yard of the Unit, screened from view of adjacent property in a manner approved pursuant to Article IV except on the day garbage is collected; and
- (l) Obstruction or re-channeling drainage flows after location and installation of drainage swales, storm sewers or storm drains, except that Declarant, its designees and the Association shall have such right, and Builders may alter drainage flow so long as the alteration does not adversely affect other Units; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent; and
- (m) Subdivision of a Unit into two or more Units, combination of two or more Units into one Unit, or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and recorded, except with Declarant's written consent during the Development and Sale Period and the Board's prior written consent thereafter, which consent shall not unreasonably be withheld or delayed; and
- (n) Conversion of any garage to finished space for use as an apartment or other integral part of the living area on any Unit without prior approval pursuant to Article IV, or use of any garage for storage or other purposes which preclude its use for parking of that number of vehicles for which it was originally designed; and
- (o) Use of any Unit for operation of a timesharing, fraction-sharing, residence club, vacation club, destination club or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule on a reservation basis or on such other basis as may be set forth in the terms of the program, except that Declarant and its assigns may operate such a program with respect to Units which it owns; and
- (p) Discharge of firearms; provided, the Board shall have no obligation to take action to prevent or stop such discharge; and

(q) On-site storage of gasoline, heating or other fuels, except that a reasonable amount of fuel may be stored on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators and similar equipment. This provision shall not apply to any underground fuel tank authorized pursuant to Article IV; and

(r) Any yard sale, garage sale, moving sale, rummage sale or similar activity, except on such dates as the Board may designate for such activities to be conducted on a community-wide basis; and

(s) Swimming or use of personal flotation devices in any stream, pond or other body of water (other than swimming pools, rivers and creeks designated by the Board) located within the Community, or fishing or boating in any such body of water except in accordance with such policies and rules as the Board may establish from time to time; and

(t) Any business, trade or similar activity, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for the Community; (iii) the business activity does not involve door-to-door solicitation of residents of the Community; (iv) the business activity does not, in the Board's reasonable judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Community that is noticeably greater than that which is typical of Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of the Community and does not constitute a nuisance or a hazardous or offensive use or threaten the security or safety of other residents of the Community as may be determined in the sole discretion of the Board.

The terms "**business**" and "**trade**," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include any occupation, work or activity undertaken on an ongoing basis that involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

Leasing of a Unit in compliance with Paragraph 4 of these Rules shall not be considered a business or trade within the meaning of this subsection; and

(u) Any construction, erection, placement or modification of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article IV of the Declaration. This shall include signs and flags (except as otherwise provided in Section 3.4(c) and Section 4.1), basketball hoops, swing sets and similar sports and play equipment; clotheslines; garbage cans; woodpiles; above-ground swimming pools; hedges, walls, dog runs, animal pens or fences of any kind; and satellite dishes and antennas, except that:

(i) an antenna designed to receive direct broadcast satellite services, including direct-to-home satellite services, that is one (1) meter or less in diameter; or

(ii) an antenna designed to receive video programming services via multipoint distribution services, including multi-channel multipoint distribution services, instructional television fixed services and local multipoint distribution services, that is one (1) meter or less in diameter or diagonal measurement; or

- (iii) an antenna that is designed to receive television broadcast signals;

(collectively, “**Permitted Antennas**”) shall be permitted on Units, subject to such reasonable requirements as to location and screening as may be set forth in the Design Guidelines, consistent with applicable law, to minimize obtrusiveness as viewed from streets and adjacent property. Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish or other apparatus for a master antenna, cable or other communication system for the benefit of all or a portion of the Community, should any master system or systems be utilized by the Association and require such exterior apparatus.

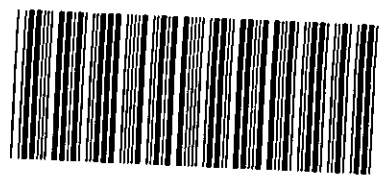
3. Prohibited Conditions. The following shall be prohibited in the Community:

- (a) Plants, animals, devices or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant or of a nature as may diminish or destroy the enjoyment of the Community; and
- (b) Structures, equipment or other items on the exterior portions of a Unit that have become rusty, dilapidated or otherwise fallen into disrepair; and
- (c) Sprinkler or irrigation systems or wells of any type that draw upon water from ground or surface waters within or adjacent to the Community, except that Declarant, its designees and the Association shall have the right to draw water from such sources; and
- (d) Trees or other vegetative canopy that extend into the street or alley below a height of 13’-6”.

4. Leasing of Units. “**Leasing,**” for purposes of this Paragraph, is defined as regular, exclusive occupancy of a Unit by any person, other than the Owner for which the Owner receives any consideration or benefit, including a fee, service, gratuity or emolument. All leases shall be in writing. All leases shall have an initial term of at least twelve (12) months. Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board by the Unit Owner within ten (10) days after execution of the lease. The Owner must provide to the lessee copies of the Declaration, By-Laws and the Restrictions and Rules. All leases shall provide that in the event of a lessee’s noncompliance with the foregoing documents, the Association may evict such lessee on behalf of Owner. The Association may recover all costs associated with such eviction from Owner.

The leasing of multiple Units by a single Owner, or the leasing of multiple Units by two or more Owners related by blood, adoption or marriage, or by Owners with a common ownership interest, or by a group of Owners under the control or direction of a single Owner, shall be prohibited, except that this prohibition shall not apply to:

- (a) Units leased to Declarant or any Builder authorized by Declarant for use as model homes or sales offices, or to the continued leasing of such Units by the same Owner after expiration of any such lease if Declarant or Builder does not offer to renew or extend the lease on substantially similar terms; or
- (b) the leasing of Units by an institutional lender following foreclosure on any Unit(s).



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Laura M. Riddick
Register of Deeds**

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