BK012218PG02127

WAKE COUNTY, NC 702
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
10/16/2006 AT 16:50:01

BOOK:012218 PAGE:02127 - 02145

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Southern Pines, NC 28387

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DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR ROCKBRIDGE

This DECLARATION is made by **STAFFORD LAND COMPANY, INC.**, a Delaware corporation (the "Declarant"), concerning the planned community known as **ROCKBRIDGE SUBDIVISION** (the "Subdivision").

RECITALS:

Declarant owns a 160.683 acre tract of land located in Marks Creek Township, Wake County, North Carolina, as described in the deed recorded in Book 11703, Page 2180, Wake County Registry (hereafter referred to as the "Development Area"). The Development Area is being developed and further subdivided, and the first phase of such development consists of all the land shown on the maps entitled "Rockbridge Subdivision Phase 1, Cluster Residential Subdivision" recorded in Book of Maps 2006, Pages 1850-1852, Wake County Registry (hereafter referred to the "Existing Property").

Declarant desires to subject the Existing Property, and any additional property subjected to this Declaration as provided in Section 6.1 hereof (the Existing Property and such additional property being herein referred to as the "Property"), and the lots located thereon (the "Lots") to the covenants, conditions, restrictions and easements set forth herein, each and all of which are for the purpose of insuring the most appropriate development and improvement of each Lot, guarding against the erection thereon of poorly designed or proportioned structures and structures built of improper or unsuitable materials, securing and maintaining proper setbacks from streets and adequate spacing between structures, providing for enforcement of this Declaration and rules and regulations adopted pursuant to this Declaration, and ensuring the maintenance and preservation of any common and recreational areas.

ARTICLE 1
COVENANTS, CONDITIONS AND RESTRICTIONS

1.1 The Lots and any building or structure now or hereafter erected on a Lot shall be occupied and used for single family residence purposes only, and no building shall be erected, altered, placed or permitted to remain on any Lot other than one single-family detached dwelling not exceeding two stories, an attic (finished or unfinished), a basement (finished or unfinished), a garage for not more than three cars (which may include guest or employee quarters), and appropriate outbuildings incident to the residential use of the Lot, except as follows:

1.1.1 With the prior written consent of the Declarant, real estate sales, management, and construction offices may be erected, maintained, and operated on any Lot or in any building or structure erected on any Lot, provided the offices are used solely in connection with the development of the Property, the construction of improvements on the Property, or the management, rental, or sale of any part of the Property, or of improvements now or hereafter erected thereon.

1.1.2 With the prior written consent of the Declarant or the Association (hereinafter defined), any Lot or other parcel of land within the Property, and any improvements now or hereafter erected thereon, may be improved and used for playground, park, recreational amenities, place of public assembly for community meetings, automobile parking area for non-commercial vehicles while the passengers are using or attending any of the above activities, and for purposes incidental to the foregoing.

1.2 No building, fence, hedge, privacy enclosure wall, retaining wall, driveway, sign, swimming pool, tank, hot tub, greenhouse, free standing mailbox, gazebo, outdoor lighting, or structure of any kind (each being referred to herein as a "Structure") shall be commenced, erected, or maintained on the Property, nor shall any addition to (including awnings) or change or alteration therein (including alterations in exterior color or design) be made, until the plans and specifications, in duplicate, showing the nature, kind, shape, height, materials, color, locations, and approximate cost of the Structure, addition, or alteration shall have been submitted to and approved in writing by the Declarant or by the Architectural Review Committee as hereafter provided. The Declarant or the Architectural Review Committee shall consider applications on the basis of conformity with this Declaration and shall be guided by the extent to which the proposed Structure, addition, or alteration will insure conformity and harmony in exterior design and appearance of the Property, based upon, among other things, the following factors: the quality of workmanship; nature and durability of materials; changes in topography, grade elevations, and/or drainage; public health and safety; the effect of the proposed Structure, addition or alteration on the use and enjoyment of neighboring properties, and/or the view from adjacent or neighboring properties; and the suitability of the proposed Structure, addition, or alteration, taking into account the general aesthetic values of the surrounding area. So long as Declarant owns any portion of the Development Area, no Structure erected or affixed by the Declarant may be removed or replaced without Declarant's written consent.

1.3 No Structure shall be erected, placed, altered or permitted to remain on any Lot nearer to any street that the minimum building setback line for the Lot as shown on the recorded map thereof or as required by local government ordinances.

1.4 No Structure shall be erected or allowed to remain on any Lot except a detached, single-family dwelling not exceeding two stories in height, an attic (finished or unfinished), and a basement (finished or unfinished). Each dwelling shall have an enclosed garage with adequate space for at least two full-sized automobiles.

1.5 No animals may be kept, maintained or bred on any Lot or in any dwelling or Structure erected thereon, except that no more than two dogs, cats or similar domestic household pets may be kept on a Lot, provided they are not kept, maintained or bred for any commercial purpose and provided further that they are kept in such a manner as to avoid becoming a nuisance to neighbors or adjoining property owners.

1.6 No nuisance shall be maintained, allowed, or permitted on any part of the Property, and no use of any part of the Property shall be made or permitted which may be noxious or detrimental to health.

1.7 Each Lot and the Structures thereon shall be kept in good order and repair and free of debris, lawns shall be seeded and mowed and shrubbery trimmed, and painted exterior surfaces shall be repainted, all in a manner and with such frequency as is consistent with good property management. Each Lot owner shall keep his Lot free of tall grass, undergrowth, dead trees, trash and rubbish.

1.8 No Structure other than a dwelling house shall be used at any time as a residence, either temporarily or permanently. No boats, trailers, or recreational vehicles shall be regularly parked or stored on any street, or on any Lot except in a garage. No commercial vehicles shall be parked on any street or Lot longer than is reasonably necessary for the driver thereof to perform the business functions to which the commercial vehicle relates.

1.9 No advertising or display signs of any character shall be placed or maintained on any part of a Lot or on any Structure, except customary "For Rent" or "For Sale" signs placed on or in front of a dwelling by the owner thereof.

1.10 No outside television, radio antenna, or satellite dish shall be erected, installed, or maintained on any Lot, or on any Structure thereon, except that outside television or radio antenna or satellite dish not more than 30" in diameter and/or height shall, with the prior written approval of the Declarant or the Architectural Review Committee established pursuant to Article 4 hereof (the "ARC"), be permitted on the roof or chimney of the dwelling or at such other place as may be approved by Declarant or the ARC, provided, however, that no such antenna or dish may be located on the front side of the dwelling, e.g., the side facing the street on which the dwelling fronts.

1.11 No permanent exterior clothes line shall be erected, installed, or maintained on any Lot or Structure.

1.12 No trees or shrubs shall be located on any Lot in such a manner as to block the view of operators of motor vehicles so as to create a traffic hazard.

1.13 All Lots on which a dwelling is constructed shall be landscaped in accordance with landscaping plans approved by the ARC. Landscaping must be finished upon completion of the dwelling.

1.14 All driveways must be paved with concrete, asphalt or brick.

1.15 Any structure or facility for providing alternative sources or energy (such as solar, wind or biomass) or for television or other signal reception (such as antenna or satellite dish) shall be erected and maintained only with the prior written approval of the ARC.

1.16 Mobile and manufactured homes are prohibited, except for those used in on-site home sales by the Declarant or, with written approval of Declarant, a builder who purchases Lots within the Subdivision.

1.17 All garbage shall be stored in receptacles which are picked up and disposed of weekly. Receptacles shall be placed behind the dwelling so as not to be visible from the street on which the dwelling fronts.

1.18 No portion of any Lot shall be used for business, manufacturing or commercial purposes, provided that such restriction shall not prohibit "home occupations" or occupations conducted by "telecommuting" and conducted entirely within a Structure as may be permitted under applicable zoning ordinances.

1.19 The Declarant, prior to its notifying the Association of surrender of control, and then, the Association acting through its Board of Directors, in its discretion, may allow reasonable variances and adjustments of these restrictions in order to alleviate practical difficulties and hardship in their enforcement and operation. No such variance shall violate the spirit or the intent of this document to create a single family subdivision of Lots owned in fee simple by various persons in a planned community governed by a homeowners association to be established by the Lot owners.

To be effective, a variance hereunder shall be executed on behalf of the Association (or Declarant, prior to the surrender of control to the Association), shall refer specifically to this Declaration, and shall be recorded in the office of the Wake County Register of Deeds.

1.20 The Board of Directors of the Association (the "Board") shall have the right to adopt reasonable rules and regulations regarding the use of the Lots and the Common Area and/or interpreting the restrictions set forth in this Declaration, which rules and regulations shall be binding on the Lots and all Owners thereof to the same extent as if they were set forth in this Declaration at the time of recording.

ARTICLE 2
RESERVED EASEMENTS

2.1 Easements for installation and maintenance of utilities and storm water drainage facilities are reserved over the front ten (10) feet, rear ten (10) feet, and side five (5) feet of each Lot. Additional reserved easements may be noted on the recorded maps of the Subdivision. Within the easements so reserved, no Structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may change the direction of or obstruct or retard the flow of water through drainage channels in the easements. The owner of a Lot on which an easement lies shall maintain such improvements as are located thereon, except for those improvements whose maintenance is the responsibility of the Association, a governmental body or agency, or a public utility company. No conveyance by the Declarant of any Lot, or of any interest therein, shall be deemed to be, or construed as a conveyance or release of these easements, or any of them, even though the conveyance purports to convey the Lot in fee simple, or by other language purporting to convey the Declarant's entire interest therein, but such effect shall only arise if the conveyance specifically recites it to be the intention of the Declarant to convey or release the easements.

2.2 All water, sewer, gas, electric, telephone, television and other utility lines and connections between the main utility lines and the dwelling Structure shall be located underground and concealed so as not to be visible. Declarant reserves the right to subject the Property to contracts with utility or service companies for street lighting and the installation of electric and other utility services, any and all of which may require a continuous monthly charge to the owner of the Lots, and each Lot owner agrees to pay his/her assessed charge for the provision of the utility services to the appropriate utility.

2.3 The designation of streets, avenues, roads, courts, and open spaces on any recorded map is for the purpose of description only and not dedication, and the rights of the Declarant in the same are specifically reserved. Declarant hereby reserves to itself, its successors and assigns, the right to grade, regrade, and improve the streets, avenues, roads, courts and open spaces, as the same may be located on any recorded map, including the creation or extension of slopes, banks, or excavation in connection therewith and in the construction of and installation of drainage structures therein.

2.4 Declarant further reserves to itself, its successors and assigns, the right to grant easements, rights-of-way and licenses to any person, municipality, corporation, or other entity to install and maintain pipelines, underground or above-ground lines, with the appurtenances necessary thereto, for public utilities or quasi-public utilities, or to grant such other licenses or permits as Declarant may deem necessary for the improvement of the Property in, over, through, upon, and across any and all of the streets, avenues, roads, courts, and open spaces, and in, over, through, upon and across each and every Lot in the easement area reserved in Section 2.1, or as shown on any recorded map.

2.5 Declarant further reserves to itself, its successors and assigns, the right to dedicate all of the streets, avenues, roads, courts, open spaces, or easements to public use. No street, avenue, road, court, open space, or easement shall be laid out or constructed through or across any Lot, except as set forth in this Declaration, or as laid down and shown on any recorded map of the Subdivision, without the prior written approval of the Declarant.

ARTICLE 3
COMMUNITY ASSOCIATION

3.1 Every owner of a Lot shall be a Member of the Rockbridge Community Association, Inc. (the "Association"), a non-profit corporation entity formed by the Declarant for the purpose of owning and maintaining certain common areas and enforcing this Declaration and the rules and regulations adopted pursuant thereto. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Each membership in the Association shall relate to and have a unity of interest with an individual Lot which may not be separated from ownership of said Lot.

3.2 Subject to the limitations set forth in Section 3.3 hereof, Declarant may appoint and remove the Board of Directors and all officers until such time as Declarant releases such right by notice in writing delivered to the Board of Directors of the Association, but no later than the earlier of: (i) 120 days after conveyance of ninety percent (90%) of Lots (including Lots which may be created by the platting and recording of subdivision maps of the Development Area as provided in the Declaration) to Owners other than Declarant or permitted builders; (ii) two years after Declarant has ceased to offer Lots for sale in the ordinary course of business; or (iii) two years after any reserved Development Right to add new Lots was last exercised. The foregoing is a Declarant "Development Right". Before the earliest of the designated events, Members of the Association shall be entitled to vote only on (i) ratification of budgets as provided in Article 7 hereof, (ii) any proposal to charge fees (other than the assessments provided for in Article 7 hereof) for the actual use of any recreational facility, (iii) any proposal to change the method of calculating the maximum amount of the annual assessment to be levied by the Association, (iv) any proposal that a special assessment be levied by the Association, (v) any proposal to dedicate or transfer all or any part of any designated Common Area to any public agency or authority, (vi) any proposal to amend this Declaration, except for amendments that the Declarant may make without Owner approval as provided in this Declaration, (vii) any proposal to amend the Bylaws of the Association, and (viii) any proposal of merger, consolidation or dissolution of the Association.

3.3 Not later than one hundred twenty (120) days after conveyance of fifty (50%) percent of the Lots (including Lots which may be added to the Property) to Owners other than the Declarant and approved builders, at least one Member and not less than twenty-five percent (25%) of the Members of the Board of Directors shall be elected by Owners other than Declarant and the permitted builders. Not later than one hundred twenty (120) days after conveyance of seventy-five (75%) percent of the Lots (including Lots which may be added to the Property) to Owners other than the Declarant and approved builders, at least one Member and not less than thirty-three percent (33%) of the members of the Board of Directors shall be elected by Owners other than Declarant or permitted builders. After termination of the period of Declarant's right to appoint and remove officers and directors of the Association, the Owners shall elect a Board of Directors of at least five members, all of whom shall be Owners.

The date of the first election of the Board of Directors shall be determined by the Declarant. This provision is a Declarant "Development Right". The procedures for election of the Board of Directors and its duties are set forth in the Bylaws of the Association.

3.4 The voting rights of the membership shall be appurtenant to the ownership of the Lots. Each Owner shall be entitled to one (1) vote for each Lot owned. Neither fractional voting nor cumulative voting is permitted. If only one of multiple Owners of a Lot is present at a meeting of the Association, that Owner is entitled to cast the vote allocated to that Lot. If more than one of the multiple Owners is present, the vote allocated to that Lot may be cast only in accordance with the agreement of the majority in interest of the multiple Owners. Majority agreement is conclusively presumed if any Owner casts the vote allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot.

The vote allocated to a Lot may be cast pursuant to a proxy duly executed by a Lot Owner. If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy. A Lot Owner may not revoke a proxy given pursuant to this section except by written notice of revocation delivered to the person presiding over the meeting of the Association. A proxy is void if it is not dated. A proxy terminates eleven (11) months after its date, unless it specifies a shorter term.

3.5 Any common area, including any recreational areas, dedicated to the private use of the Lot Owners by the Declarant or by this Declaration shall be managed by the Association. The Association will own, manage, maintain, and operate the common areas and facilities located within the Development Area, enforce the restrictions contained herein, adopt budgets and collect assessments as provided therein, and make and enforce rules and regulations governing the Owners' use and occupancy of Lots and the common areas.

3.6 Declarant has filed a Preliminary Master Plan of the entire Development Area on which is shown the proposed location of the recreational amenity and other common areas within the Subdivision.

3.7 Declarant hereby covenants for itself, its successors and assigns that it will convey fee simple title to all common areas and any improvements constructed thereon located within the Subdivision to the Association at such time as all planned improvements are completed, or such earlier time as Declarant may elect. Declarant reserves the right to convey any designated common area in separate conveyances, which will be free and clear of all encumbrances and liens except for this Declaration and utility, service, access, storm drainage, greenery, and other similar easements.

ARTICLE 4
ARCHITECTURAL REVIEW COMMITTEE

4.1 Declarant shall establish an Architectural Review Committee (the "ARC") which shall initially be composed of two (2) members appointed by the Declarant. Declarant shall have the right to appoint and remove the members of the ARC so long as the Declarant continues to own any portion of the Development Area. At such time as the Declarant no longer owns any portion of Development Area, or upon notification by the Declarant to the

Board of Directors that it does not desire to continue to appoint the members of the ARC, then the Board of Directors may appoint all of the members of the ARC, which shall thereafter contain at least three (3) members, all of whom shall be Owners of Lots within the Subdivision and Members of the Association.

4.2 No construction (which term shall include within its definition clearing, excavating, grading and other site work) shall take place except in strict compliance with this Article, until the requirements thereof have been fully met, and until the written approval of the ARC has been obtained.

4.3 The ARC shall have exclusive jurisdiction over any modifications, additions or alterations subsequent to the original construction by the Declarant or an approved builder. The ARC shall prepare and, on behalf of the Board of Directors, promulgate architectural standard guidelines ("guidelines") and application and review procedures ("procedures"). The guidelines and procedures shall be those of the Association, and the ARC shall have the sole and full authority to prepare and to amend the guidelines and procedures. The ARC shall make the guidelines and procedures available to Owners and builders who seek to engage in construction upon the Lots and who shall conduct their operations strictly in accordance therewith.

4.4 The ARC shall have the absolute and exclusive right to disapprove any plans, specifications or details submitted to it if the same are not in accordance with any of the provisions of this Declaration and the guidelines; if the design, color scheme or location upon the Lot of the proposed improvements are not in harmony with the general surroundings or adjacent structures; if the plans or specifications submitted are incomplete; or if the ARC deems the plans specifications or details, or any part thereof, to be contrary to the best interest, welfare or rights of all or any part of the real property subject to this Declaration or the Owners thereof.

4.5 The ARC shall approve or disapprove, with reasons, plans, specifications and details submitted in accordance with its procedures within thirty (30) days from its receipt of same, and the decisions of the ARC shall be final and not subject to appeal or review. Provided, however, that plans, specifications and details revised in accordance with the ARC recommendations may be resubmitted for determination by the ARC. In the event that the ARC fails to approve or disapprove plans, specifications and details within thirty (30) days after submission of the same to the ARC, approval, for the purposes of this Article, shall be deemed to have been given by the ARC.

4.6 Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his residence or the interior of any other permitted Structures, or to paint the interior of the same any color desired.

4.7 Neither the Declarant, the ARC, the Board of Directors, nor any employee or agent thereof shall be responsible in any way for any defects in plans, specifications or details submitted, revised or approved in accordance with the provisions contained herein or in the guidelines, nor for any structural or other defect in any construction.

4.8 The requirements of this Article shall not constitute a lien or encumbrance on any Lot on which construction is completed, any subsequent purchaser thereof for value without notice thereof shall not be affected by the failure of his predecessors in title to comply with the terms hereof. The requirements of this Article shall not apply to the Declarant or an approved builder with regard to original erection or construction of a Structure on a Lot.

ARTICLE 5
COMPLIANCE WITH DECLARATION; REMEDIES

5.1 In the case of failure of a Lot Owner to comply with the terms and provisions of this Declaration, rules and regulations adopted pursuant thereto, or the Bylaws of the Association, the following relief shall be available.

5.1.1 Declarant, so long as it owns any property within the Development Area, the Association, or an aggrieved Lot Owner shall have the right to bring an action at law or in equity and, in such action, shall be entitled to recover sums due and/or damages, and/or injunctive relief and/or any other equitable remedy, and/or such other and further relief as may be just and appropriate, for any violation of this Declaration.

5.1.2 The Association shall have the right to remedy the violation and, without vote of any of the Members of the Association, to assess the costs of remedying same against the offending Lot Owner as a limited special assessment against such Owner's Lot.

5.1.3 Pursuant to procedures set forth in the Bylaws, the Association shall have the right impose fines for such violation, which fines shall be a limited special assessment against the Owner's Lot.

5.1.4 If the violation is the nonpayment of any general or special assessment, the Association shall have the right, after notice and hearing, to suspend the offending Owner's voting rights and the right of such Owner, his tenants, guests, and invitees to use Common Area in the Subdivision for any period during which an assessment against the Lot remains unpaid, provided, however, that such suspension may not prevent access or utilities to such Owner's Lot.

5.2 The remedies provided by this Article are cumulative, and are in addition to any other remedies provided by law.

5.3 The failure of the Association or any other Lot Owner or Declarant to enforce any restrictions contained in this Declaration or the Bylaws shall not be deemed to waive the right to enforce such restrictions thereafter as to the same or any subsequent violation.

5.4 Prior to availing itself of the relief specified herein, the Association shall follow any hearing procedures set forth in the Bylaws.

ARTICLE 6
GENERAL PROVISIONS

6.1 The area of the Property subject to this Declaration may be increased by filing with the Wake County Register of Deeds supplements to this Declaration, which need only be signed by the Declarant, the owner of the additional land described in the supplement, and the holder of any mortgage, deed of trust or similar liens thereon, stating that additional land within the Development Area shall be subject to this Declaration. No other land within the Development

Area or in the vicinity of the Development Area shall be subject to this Declaration unless the provisions of this paragraph are complied with, it being intended that this Declaration may not be construed or considered as a scheme for the development of any land other than that shown on the Preliminary Master Plan or hereafter subjected to this Declaration in the manner described in this paragraph.

6.2 The following amendments may be effected by the Declarant or, as appropriate, the Association, without consent of the Members of the Association:

(a) The Declarant or Association may amend this Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction.

(b) The Declarant shall have the right to amend this Declaration to conform to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any Lots and improvements thereon for mortgage or improvement loans made, insured or guaranteed by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United Sates Government, the State of North Carolina, or Wake County regarding purchase or sale in such Lots and improvements, or mortgage interests therein, as well as any other law or regulation relating to the control of Property, including, without limitation, ecological controls, construction standards, aesthetics, and matters affecting the public health, safety and general welfare.

(c) The Declarant may amend the Declaration so long as it is the record owner of one-tenth of the total Lots in the Development Area, based on the then current number of recorded Lots.

Any amendments made pursuant to this section shall not affect the residential character of the Property or the common plan or scheme for residential development.

6.3 The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty-five (25) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty-five (25) year period by an instrument signed by the Owners of not less than seventy-five percent (75%) percent of the Lots and, if Declarant owns any property within the Development Area, the Declarant, and thereafter by an instrument signed by the Owners of not less than sixty-seven percent (67%) percent of the Lots. Any amendment must be properly recorded in the Wake County Registry. All or any part of the rights and powers (including discretionary powers and rights) reserved by or conferred upon the Declarant by this Declaration may be assigned or transferred by the Declarant to any successor Declarant of all or any part of the Property or to the Association or the ARC as provided herein. Any such assignment or transfer shall be evidenced by an appropriate instrument recorded in the Office of the Wake County Register of Deeds and, upon recordation thereof the assignee(s) of such rights and powers shall thereafter have the right to exercise and perform all of the rights and powers reserved by or conferred upon the Declarant by this Declaration to the extent assigned by such instrument.

6.3 The Board of Directors of the Association, pursuant to procedures set forth in the Bylaws of the Association, shall have the right to impose fines for violation of the provisions of this Declaration and the rules and regulations adopted pursuant thereto.

6.4 Enforcement of this Declaration shall be by proceedings at law or in equity against any person(s) violating or attempting to violate any covenant, either to restrain the violation or to recover damages.

6.5 The invalidity of any of the provisions of this Declaration shall not affect any of the other provisions, all of which shall remain in full force and effect.

6.6 Each conveyance of a Lot, or of any interest in the Lot, by the Declarant, shall be deemed subject to this Declaration whether or not the deed conveying the Lot shall so state.

6.7 The Association has been formed pursuant to the provisions of the North Carolina Nonprofit Corporation and the North Carolina Planned Community Act, the provisions of which are incorporated herein by reference.

ARTICLE 7
COMMON EXPENSES

7.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner, for each Lot owned within the Property and by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (i) annual assessments or charges; (ii) special assessments for non-recurring expenses; (iii) working capital assessments as set forth in Section 7.14 below, and (iv) limited special assessments as set forth in this Declaration, all of such assessments to be established and collected as herein provided. Such assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and, upon filing of a claim of lien with the Clerk of Court of Wake County as provided in NCGS §47F-3-116, shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due.

7.2 The Common Expenses of the Subdivision include, without limitation:

7.2.1 All amounts expended by the Association: (i) in operating, administering, managing, repairing, replacing and improving the common areas of the Subdivision; (ii) insuring the common areas in the Subdivision and improvements thereon; (iii) for maintenance of entranceways, entry lighting and irrigation of those areas, even though those areas may be within the right-of-way of a public street and not located on Common Area; (iv) for legal, accounting, management, engineering, or architectural fees; (v) for liability and other insurance obtained by the Association; (vi) all costs and expenses incurred by the Association or the ARC from time to time in performing the functions delegated to the Association or the ARC by this Declaration; and (viii) all amounts expended in any form by the Association in enforcing this Declaration and rules and regulations adopted pursuant thereto, or the Bylaws of the Association.

7.2.2 All amounts expended by the Association in carrying out any duty or act required or permitted by this Declaration, the Articles or the Bylaws.

7.2.3 All amounts declared to be Common Expenses in the Bylaws or in this Declaration or by the Board of Directors of the Members.

7.2.4 All taxes and special assessments which may be levied from time to time by any governmental authority upon the Common Areas in the Subdivision.

7.3 Purpose of Assessments:

7.3.1 The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners of the properties and, in particular, for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and for the use and enjoyment of the Common Area, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes assessed against Common Area owned in fee by the Association, the procurement and maintenance of insurance in accordance with the Bylaws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise, including the establishment of reserve funds for any of such purposes.

7.3.2 The assessments shall also include the expense to purchase, install, maintain and replace, if damaged, at Association expense, all street directional signs in the Subdivision.

7.3.3 The assessments shall also include maintenance and landscaping on the rights-of-way of any public street or road abutting the Subdivision, including entranceways, identifying signs and any landscape berm on any boundary of the Development Area.

7.4 Separate Property of Association. All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation, and/or the Bylaws of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom, shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his interest therein, except as an appurtenance to his Lot. When an Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall constitute an asset of the Association which may be used in the operation and management of the Properties.

7.5 Maximum Annual Assessment. Until changed by as provided herein, and except as provided in Section 7.9 hereof, the annual assessment shall be **$360.00** per Lot per year, and may be assessed and collected on a monthly, quarterly, semi-annual or annual basis as determined by the Board.

7.6 Special Assessments for Private or Public Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon or adjacent to the Common Area, including fixtures and personal property related thereto, and/or any other non-recurring expense.

7.7 Procedure for Setting Annual and Special Assessments. The Board of Directors shall annually adopt a proposed budget and the annual assessment for each Lot for the next year. Within 30 days after adoption of a proposed budget, the Board shall provide a summary of the budget and assessments to all Lot Owners, and shall set a date for a meeting of the Owners to consider ratification of the budget and the assessments based thereon, such meeting to be held not less than 14 nor more than 30 days after mailing of the notice and summary. There shall be no requirement that a quorum be present at the meeting. The budget and the assessments based thereon are ratified unless, at that meeting, a majority of *all* Owners (not just those present at the meeting), vote to reject the budget, provided, however, that if the budget proposed by the Board would not increase annual assessments by more than 10% above the amount for the previous year, the budget shall be ratified unless, at that meeting, 80% of all Owners vote to reject the budget. In the event the proposed budget is rejected, the budget last in effect and the assessments based thereon shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors.

In the event that the Association proposes a special assessment, it shall be set forth as a separate item in a notice of a meeting of the Members (which may or may not be the same meeting at which the annual budget is to be voted on), and the procedure for setting the special assessment shall be as set forth above, except that the special assessment shall be ratified separately from the other portions of the budget and that a special assessment shall be deemed ratified unless 50% of all of the Members of the Association vote to reject it. Special assessments may be collected in any manner and at such times as are set forth in the proposal approved by the Members as set forth above.

7.8 Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of eighteen (18%) percent per annum or the maximum interest rate permitted to be legally charged under applicable law at the time of such delinquency, whichever is less, and shall constitute a lien on the Lot when a Notice or Claim of Lien is filed in the office of the Clerk of Court of Wake County as provided in NCGS §47F-3-116. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Board of Directors of the Association to defray the cost of the late payment. The Association may bring an action at law against any Owner personally obligated to pay the same, and/or foreclosure its lien. The costs of such action or foreclosure including, without limitation, court costs and attorneys' fees incurred by the Association in connection therewith, shall be added to the amount of such delinquent assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

7.8.1 The Association's lien may be foreclosed in like manner as a deed of trust on real estate under power of sale under Article 2A of Chapter 45 of the General Statues of North Carolina, as the same may be in effect at the time that foreclosure is commenced, or as otherwise provided by law. Each Owner of a Lot agrees that the Association may appoint a Trustee or Commissioner to sell the Lot subject to the lien at public auction for cash, after having first given such notice of hearing as to commencement of foreclosure proceedings and obtained such finding or leave of court as may then be required by law and such notice and advertising the time and place of such sale and any resales and upon compliance with the law then relating to foreclosure proceedings under power of sale and, upon completion of such foreclosure, to convey title to the purchaser in as full and ample manner as the Trustee or Commission is hereby empowered. The Trustee or Commissioner shall be authorized to retain an attorney to represent the Trustee or Commissioner in such proceedings.

7.8.2 The proceeds of the sale if any, after the Trustee or Commissioner retains a commission, and after payment of any reasonable attorneys' fees incurred by the Trustee or Commissioner in such proceedings, and all other costs of the foreclosure and sale, including, but not limited to, costs of collection, taxes, assessments, costs of recording, service fees and incidental expenditures, the amount due on the assessment which the lien secures and any advancements and other sums expended by the Association according to the provisions hereof and otherwise as required by the then-existing law relating to foreclosures under power of sale, shall be paid to such persons or entities entitled by law to receive same. If the Trustee or Commissioner is uncertain as to whom such excess proceeds should be paid, the Trustee or Commissioner may deposit such excess proceeds with the Clerk of Superior Court of Wake County and, upon such deposit, shall be relieved of any liability of obligation as to such excess proceeds. The Trustee's or Commissioner's commission shall be five (5%) percent of the gross proceeds of sale, or the minimum sum of $600.00, whichever is greater, for a completed foreclosure. In the event foreclosure of the lien is commenced, but not completed, the Lot Owner shall pay all expenses incurred by the Trustee or Commissioner, including reasonable attorneys' fees, and a partial commission computed on five (5%) percent of the outstanding indebtedness or the above stated minimum sum, whichever is greater, in accordance with the following schedule, to wit: three-fourths (3/4ths) after commencement but before the initial sale; and the greater of the full commission or minimum sum after the initial sale.

7.8.3 Each Lot Owner and any Trustee or Commissioner appointed covenant and agree that, in case the appointed Trustee or Commission, or any successor Trustee or Commissioner, shall die, become incapable of acting, renounce his trust, or for any reason the Association desires to replace said Trustee or Commissioner, then the Association may appoint, in writing, a trustee or commissioner to take the place of the Trustee or Commissioner; and upon the probate and registration of any initial or subsequent appointment of Trustee or Commission, the Trustee or Commissioner thus appointed shall be vested with or succeed to all rights, powers and duties of the Trustee or Commissioner herein described. Until such time as the Association may substitute such Trustee or Commissioner, the Trustee or Commissioner shall be the then-current President of the Association.

7.8.4 In the event the Trustee or Commissioner is named as a party to any civil action as Trustee or Commissioner, the Trustee or Commissioner shall be entitled to employ and attorney at law, including the Trustee or Commissioner if a licensed attorney, to represent the Trustee or Commissioner in said action, and the fees of such attorney shall be paid by the Association and added to the outstanding indebtedness which the Association's lien secures and bear interest at the rate provided by this Declaration for unpaid assessments.

7.8.5 Each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, shall be deemed to bargain, sell, grant, give and convey to any such appointed Trustee or Commissioner for the benefit of the Association a real property interest in said Lot to secure the Association's lien, TO HAVE AND TO HOLD said interest with all privileges and appurtenances thereto belonging, to said Trustee or Commissioner, his heirs, successors and assigns forever, upon the trust, terms and conditions and for the uses herein set forth.

7.9 Rate of Annual Assessment. Annual assessments must be fixed at a uniform rate for all Lots and may be collected on a yearly basis or such other periodic basis as the Board of Directors of the Association may set. Notwithstanding the foregoing, all Lots owned by the Declarant and, for a period of twelve (12) months after recordation of the map creating a new phase of the Subdivision, Lots in that phase owned by a builder who purchased such Lots from the Declarant for the purpose of constructing a residence thereon shall be EXEMPT from annual assessment. After said 12-month period, a builder shall pay to the Association, for each Lot that it owns within such phase, assessments in the amount of twenty-five (25%) percent of the amount of the annual assessment due from an Owner of a residence as provided herein. Notwithstanding the foregoing, any Lot owned by the Declarant or a builder and used by any person as a residence shall not be exempt from assessments, but shall be assessed at the rate applicable to all other Lots within the Subdivision containing a dwelling.

7.10 Date and Commencement of Annual Assessment. The annual assessments provided for herein shall commence as to each Lot on the first day of the month following the conveyance of that Lot by Declarant to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days in advance of each annual assessment period, the Board of Directors shall fix the amount of the annual assessment to every Owner subject thereto. The due dates shall be established by the Board of Directors.

7.11 Certificate of Payment. The Association shall, upon request by an Owner or prospective Owner or such person's agent, and for such reasonable charge as the Board may from time to time establish, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

7.12 Subordination of the Lien to Mortgages.

7.12.1 The liens provided for herein shall be subordinate to the lien of any first mortgage or deed of trust if, but only if, all such assessments with respect to such Lot having a due date on or prior to the date such mortgage or deed of trust is filed of record have been paid. Sale or transfer of any Lot shall not affect the assessment lien or liens provided for in the preceding sections. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust filed prior to the time of transfer.

7.12.2 Such subordination is merely a subordination and shall not relieve the Owner of the mortgaged or pledged property of his personal obligation to pay all assessments coming due at a time when he is the Owner.

7.13 Exempt Property. All Common Area, including any Lot which may be designated for use as such by Declarant, shall be exempt from the assessments, charges and liens created herein.

7.14 Working Capital Contribution. At the time of closing of each initial sale of each dwelling constructed on a Lot, a sum equal to one-sixth (1/6) of the annual assessment in effect at the time of such sale shall be collected from the purchaser of such Lot and transferred to the Association as part of its working capital. The purpose of the working capital contribution is to ensure that the Association will have adequate cash available to meet its operating expenses or to acquire additional equipment or services deemed by the Board of Directors to be necessary or desirable. Amounts paid to the Association pursuant to this Section shall not be considered as an advance payment of any regular assessment.

ARTICLE 8
WATER AND SEWER UTILITIES

Water and sewer utility services to the Lots will be provided by a privately-owned public utility ("Utility") regulated by the North Carolina Utilities Commission (the "Utilities Commission"), or by such municipal-owned water and/or sewer system as may purchase the public utility in the future as approved by the Utilities Commission. Until and unless there is such purchase by a municipal-owned system, the water and sewer utility services will be provided by the Utility possessing a Certificate of Public Convenience and Necessity to serve the Development Area as issued by the Utilities Commission pursuant to N.C.G.S. §62-110. All rates charged by the Utility for water and sewer services to Lots in the Development Area must be approved by the Utilities Commission. The Utility's rates for water and sewer services, as approved by the Utilities Commission, will be set forth in the Schedule of Rates to be attached as **Appendix A** to this Declaration by preparation and recording of an amendment hereto executed by the Utility as provided herein. Additional information about the Utility, its service regulations, and its rates can be found in the Utilities Commission in Docket No. W-1075, Sub 5, and can be accessed at http://www.ncuc.commerce.state.nc.us/.

The Utility, without the consent or joinder of the members of the Association or any other person or entity, may, at any time and from time to time, file and amend an **Appendix A** to conform the Schedule of Rates for water and sewer utility services to Lots in the Development Area with the then-currently approved rates for such services as established by the North Carolina Utilities Commission from time to time. Notwithstanding the foregoing, so long as Declarant owns any Lots within the Development Area, Declarant shall, upon request of the Utility, execute such amendment to Appendix A for the purpose of ensuring that such amended Appendix A is in the chain of title, provided, however, that absence of Declarant's execution on any Appendix A or amendment thereto shall not in any way affect the validity or enforceability of such Appendix..

IN WITNESS WHEREOF, the Declarant has caused this instrument to be signed in the corporate name by its duly authorized officers, the day and year first above written.

STAFFORD LAND COMPANY, INC.

By: ______________________
Donald G. Mizelle, Jr.
Executive Vice President

BK012218PG02144

STATE OF NORTH CAROLINA – WAKE COUNTY:

I, the undersigned, a Notary Public for Wake County, North Carolina, certify that **Donald G. Mizelle, Jr.** personally appeared before me this day and, being personally known to me, acknowledged that he is Executive Vice President of **STAFFORD LAND COMPANY, INC.**, a Delaware corporation, and that, by authority duly given, he signed the foregoing instrument for and on behalf of said corporation.

Witness my hand and official stamp or seal, this the 16th day of October, 2006.

[Stamp or Seal]

KRISTIE M. RAVERT NOTARY PUBLIC JOHNSTON COUNTY, NC

Notary Public
My commission expires: 9-21-2010

BK012218PG02145

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

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

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