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PREPARED BY AND HOLD FOR:
MICHAEL G. SANDMAN #169

Wake County, NC 458
Laura N Riddick, Register of Deeds
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STATE OF NORTH CAROLINA

COUNTY OF WAKE

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR LAKE WOODARD TOWNHOMES**

THIS DECLARATION is made this 5 day of April, 2000, by SAM DEVELOPMENT, LLC ("Declarant").

WITNESSETH:

WHEREAS, Declarant is the owner of that certain real property located in Wake County, North Carolina, containing 5.108 acres, and as more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"); and

WHEREAS, Declarant is developing the Property as a single-family residential subdivision known as "LAKE WOODARD TOWNHOMES".

WHEREAS, Declarant desires to subject the Property to the protective covenants, conditions and restrictions set forth herein for the purpose of insuring the best use and most appropriate development and improvement of each Lot; to protect the Owners against such improper use of surrounding Lots as will depreciate the value of the Property; to preserve, so far as practicable, the natural beauty of the Property; to insure the highest and best development of the Property; to encourage and secure the erection of attractive structures with appropriate locations on the Lots; to provide for the continued maintenance, including irrigation, if any, of any Common Area, including the landscaped entrance to the Subdivision and otherwise within the landscape easements or landscaped islands provided for herein; and in general to provide adequately for a high type and quality of improvements on the Property and thereby enhance the values of the investments made by the Owners; and

WHEREAS, Declarant has incorporated or will incorporate LAKE WOODARD TOWNHOME ASSOCIATION, INC., a North Carolina non-profit corporation, for the purpose of exercising the functions aforesaid and more fully described hereinbelow.

NOW, THEREFORE, Declarant hereby declares that the Property, and such additions and annexations thereto as may hereafter be made pursuant to Article III hereof, is and shall be held,

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used, transferred, sold, conveyed and occupied subject to the Townhome Covenants.

ARTICLE I
DEFINITIONS

- 1.1 "Articles" means the Association's Articles of Incorporation.
- 1.2 "Association" means LAKE WOODARD TOWNHOME ASSOCIATION, INC., a North Carolina nonprofit corporation.
- 1.3 "Board of Directors" means the Board of Directors for the Association.
- 1.4 "Bylaws" means the Association's Bylaws.
- 1.5 "City" means the City of Raleigh, North Carolina.
- 1.6 "Common Area" shall mean and refer to all real property which is owned or leased by, or located in an easement granted to or reserved by, the Association and which has been designated by Declarant, the record owner of newly annexed land, or the Association as "Common Area" or some other similarly descriptive term, on a recorded plat, in a Declaration of Annexation, or in a deed or other written instrument for the common use and enjoyment of the Members of the Association. Common Area shall also refer to the Subdivision signage, water lines, sewer lines, storm water ponds, storm pipes, water retention and detention devices which are not otherwise dedicated to and accepted by a governmental entity or serving only a single Lot, and all personal property owned or leased by the Association and designated as Common Area by Declarant or the Association. All Common Area shall be subject to the terms and conditions of this Declaration.
- 1.7 "Declarant" means SAM DEVELOPMENT, LLC, a North Carolina limited liability company, and its successors and assigns designated as Declarant.
- 1.8 "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions applicable to the Property, and any amendments thereto which are recorded in the Office of the Register of Deeds, Wake County, North Carolina (sometimes referred to herein as the "Townhome Covenants").
- 1.9 "Declaration of Annexation" means a declaration filed supplemental to this Declaration which, upon its filing with the office of the Wake County Register of Deeds, subjects additional property to the scheme of this Declaration.
- 1.10 "Improvements" means any structure of any type or kind, and all exterior modifications thereof, including, without limitation, buildings, outbuildings, parking areas, loading areas, screening walls, retaining walls, hedges, mass plantings, lawns, sidewalks, poles, signs, and utility lines and facilities.

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1.11 "Lot" means any numbered or lettered plot of land (excluding Common Area; but including, without limitation, townhome blocks) shown on any plat, described by a metes and bounds description, recorded in the Office of the Register of Deeds, Wake County, North Carolina, which is made subject to this Declaration, as it may be amended.

1.12 "Lot in Use" means any Lot for which a certificate of occupancy has been issued for Improvements thereto.

1.13 "Member" means every Person who holds membership in the Association.

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

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

1.16 "Property" is as defined above, but shall also include any annexations thereto of the real property described in Article III.

1.17 "Subdivision" means LAKE WOODARD TOWNHOMES, as shown on the recorded subdivision plat(s) of the Property.

ARTICLE II MERGERS

Upon a merger or consolidation of the Association with another organization, as provided for in its Bylaws, the Association's properties, rights and obligations may be transferred to another surviving or consolidated homeowners association or, alternatively, the properties, rights and obligations of another homeowners association may, by operation of law, be added to the properties, rights and obligations of this Association as a surviving corporation pursuant to a merger. The surviving or consolidated homeowners association may administer the Covenants and Restrictions established by this Declaration, together with the covenants and restrictions established for any other properties as one scheme. No such merger or consolidation shall, however, effect any revocations, changes or additions to the Townhome Covenants, as the same may be amended, established by this Declaration within the Property, except as hereinafter provided.

ARTICLE III ANNEXATION OF ADDITIONAL PROPERTIES

3.1 Annexation by Members. Except as provided in Section 3.2, and subject to the

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approval of the City, additional properties may be added and annexed to the Property only if two-thirds (2/3) of each class of all the votes entitled to be cast in such class by Members are cast in favor of annexation. The annexation will be accomplished by recording with the appropriate Register of Deeds a Declaration of Annexation, duly executed by Members comprising no less than two-thirds (2/3) of each class of Members entitled to cast votes in favor of annexation, describing the lands annexed and incorporating the provisions of this Declaration. No other action or consent shall be necessary. For the purpose of such meeting, the presence of Members or authorizing proxies entitled to cast sixty percent (60%) of the votes of each class of Members shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called within sixty (60) days thereafter, subject to the notice requirement set forth in Section 6.5 hereof, and the required quorum of such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. If a quorum is present and a majority of the votes are cast in favor of the annexation, but the majority is less than the two-thirds (2/3) majority of each class required for approval of the annexation and it appears that the required two-thirds (2/3) of each class may be achieved if the Members not present or voting by proxy assent to the annexation, then and in that event, the Members not present or voting by proxy may assent to or dissent from the proposed annexation in writing within one hundred twenty (120) days following the date of the meeting at which said Member is entitled to vote either in favor of or against the annexation. If the number of votes cast at the meeting in favor of the annexation, together with the votes deemed to have been cast by Members assenting to the annexation, shall constitute the requisite two-thirds (2/3) majority of each class of all votes entitled to be cast, the annexation shall stand approved.

3.2 Annexation by Declarant. If within ten (10) years from the date of incorporation of the Association Declarant develops additional land located adjacent to or across a public or private street from the Property, and any property adjacent thereto or across a public or private street therefrom which is annexed thereto in accordance with the provisions hereof, Declarant may annex such land to the Property without the consent of Members. The annexation will be accomplished by recording with the appropriate Register of Deeds a Declaration of Annexation, duly executed by Declarant, describing the lands annexed and incorporating the provisions of this Declaration. No other action or consent shall be necessary.

3.3 Conveyance of Common Area. Subsequent to recordation of the Declaration of Annexation, but prior to conveyance of the first Lot within the newly annexed property, whichever shall first occur, Declarant or any other record Owner of newly annexed land shall deliver to the Association, in accordance with Section 5.1, one or more deeds conveying any property that will be designated as Common Area within the annexed property as such designated property is platted.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS

4.1. Membership Rights. Ownership of a Lot shall be the sole qualification for membership in the Association. The Association's Board may make reasonable rules relating to the proof of ownership of a Lot. Membership shall be appurtenant to and may not be separated from

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ownership of any Lot.

4.2. Voting Rights. The Association shall have two classes of voting membership:

A. Class A Members shall be all Owners with the exception of the Declarant. Declarant shall, however, be a Class A member upon the termination of Class B membership. Class A members shall be entitled to one (1) vote for each Lot owned. When more than one Person holds an interest in any one Lot, all such Persons shall be Members. The vote of that Lot shall be exercised as the majority of such Persons among themselves determine; but in no event shall more than one (1) vote be cast with respect to each Lot. Fractional voting is prohibited.

B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of one of the following events, whichever occurs first:

- (i) Declarant's written consent to termination; or
- (ii) When the total votes outstanding in Class A equal the total votes outstanding in Class B [provided, however, that Declarant shall retain its architectural review and approval rights under Article IX until the Class B membership is terminated in accordance with either Section 4.2(B) (i) or (iii)]; or
- (iii) Ten (10) years following the date of incorporation of the Association.

Notwithstanding anything contained in sub-paragraphs (i) and (ii) above to the contrary, the Class B membership shall be reinstated if, after the events described in sub-paragraphs (i) and (ii) above, and before the time stated in sub-paragraph (iii) above, Declarant annexes additional lands to the Property without the assent of the Class A Members, as provided for in Section 3.2 of the Declaration.

ARTICLE V
PROPERTY RIGHTS

5.1. Title to Common Area. The Declarant, prior to the conveyance of the first Lot, as shown on any recorded subdivision plat(s) of the Property, shall convey fee simple title in the Common Area to the Association, free and clear of all encumbrances and liens, except utility and drainage easements of record. The provisions of this Paragraph shall apply to Common Area within any additional properties annexed in accordance with the provisions of Article III.

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

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provisions:

A. The Association shall have the right to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of Members agreeing to the dedication or transfer has been recorded in the Wake County Registry. Any dedication or transfer shall be made subject to that portion of the Owners' Easement providing for access, ingress and egress to public and private streets and walkways.

B. The Association shall have the right, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and facilities and to mortgage those properties to secure those borrowings; provided the mortgage is subordinate to the Owners' Easement and the rights of the Association.

C. The Association shall have the right to impose and enforce rules and regulations which may restrict the use and enjoyment of the Common Area. The Association's Board of Directors shall have the right to suspend an Owner's right to use the Common Area, with notice and a hearing, for a period not to exceed sixty (60) days, for a violation of any rules and regulations established by the Board of Directors governing the use of the Common Area.

D. The Association shall have the authority to grant and/or establish upon, over, under and across the Common Area further easements (including, without limitation, those provided in these Townhome Covenants) as are required for the convenient use and enjoyment of the Property.

E. During any period in which an Owner shall be in default in the payment of any annual or special assessment levied by the Association, the Board of Directors shall have the right to suspend such Owner's rights to use the Common Area until the assessment has been paid.

F. The Association shall have the right to exchange Common Area for other properties, subject to the approval of the City Planning Director and the laws of the City.

G. The Association shall have the right, subject to the provisions of the City Code, to charge reasonable admission and other fees for the use of any recreational or other facilities situated upon the Common Area.

H. The Members of the Association shall have the right to use any parking spaces provided by the Board of Directors.

5.3. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Area and facilities to the members of his family and tenants who reside at his Lot and to his guests.

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ARTICLE VI
COVENANT FOR MAINTENANCE ASSESSMENTS

6.1. Lien of Assessments.

A. The Declarant, for each Lot, covenants, and each Owner of any Lot by acceptance of a deed therefore (whether or not it shall be so expressed in such deed) is deemed to covenant and agree to pay, the Association Annual Assessments and Special Assessments, as described below (together the "Assessments"). Provided, however, that the Association shall also have the authority, through its Board of Directors, to establish, fix and levy an individual assessment on any Lot to secure the liability of that Owner to the Association arising from Owner's breach of any of the provisions of this Declaration.

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

Each Owner covenants for itself, its heirs, successors and assigns, to pay each assessment levied by the Association on each parcel of land conveyed to such Owner within ten (10) days of receipt of an invoice for the same; and if such charge shall not be paid within thirty (30) days from the date that said invoice is deposited, postage prepaid in the United States mail, in an envelope addressed to such Owner at its address as it appears on the books of the Association or to such other address as said Owner shall have designated, the amount of such charge shall become a lien upon said parcel of land and shall continue to be such a lien until fully paid.

6.2. Purpose of Assessments. The Assessments shall be used exclusively for the purpose of promoting the beautification of the Property, the recreation, health, safety and welfare of the Owners, the improvement and maintenance of the Common Area, private streets, driveways, separate entrance signs, if any, access easements crossing private property, sidewalks, and the exterior of each Lot and the living unit situated thereon, the enforcement of these covenants and the rules of the Association, and the services and facilities devoted to such purpose. Expenses to be funded with the Assessments (the "Common Expenses") shall include, without limitation, taxes and assessments, all insurance premiums required hereunder (including but not limited to casualty, liability and fidelity bond premiums), Association operational costs, management fees, the fees of attorneys, accountants and others employed to represent the Association when necessary, the cost of landscaping, repairing and maintaining the Common Areas, the bidding at foreclosure sales as set forth in Section 6.8, and

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the cost of such other needs as may arise. The Association shall maintain a reserve fund for periodic maintenance, repair and replacement of the Common Area, and for periodic exterior maintenance and repair of each Lot and the living unit situated thereon. The above exterior maintenance (the "Exterior Maintenance") shall include, without limitation, the repair, replacement and care of any of the following Improvements made by or with the approval of the Declarant or the Association: living unit roofs, gutters, downspouts, exterior building surfaces, mailboxes, and Lot landscaping, ordinary yard maintenance, fencing and lighting (excluding the electricity therefore). The Exterior Maintenance shall not, however, include glass surfaces, screens, awnings or any exterior maintenance, repair or replacement costs which would be covered by casualty insurance, whether or not a casualty insurance policy is in effect.

(As a matter of information for future Members of the Association, the developer wishes to make it known that it is part of the original development plan to construct townhomes with a variety of exteriors for the good of the entire Subdivision. Some living units will require more maintenance than others because of the types of exterior exposures. Nevertheless, in order to avoid monotony and in order to achieve a harmony of design and textures, all of those connected with the conception, design, construction and financing of the Subdivision as originally planned, are in accord in their belief that all Members of the Association will be benefited by the variety of exteriors; and, therefore, the Association should provide exterior maintenance and make a uniform rate of assessment without regard to the actual cost of maintenance of each living unit.)

6.3. Annual Assessments.

A. On or before December 1st of each year, the Board of Directors shall adopt the Budget (as defined below) for the upcoming Annual Assessment Period. The annual budget for the Association shall include all anticipated revenues (including revenues from Annual Assessments to be charged in the next Annual Assessment Period - the "Anticipated Annual Assessments") and anticipated costs for the Association for the upcoming Annual Assessment Period (together the "Budget"). The Anticipated Annual Assessments for the approved Budget shall be the basis for calculating the Annual Assessment to be charged each Owner for the upcoming Annual Assessment Period.

B. Notwithstanding the above to the contrary:

(i) Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum Annual Assessment per Lot shall be \$600.00; and

(ii) An annual increase in the Annual Assessments shall not be more than ten (10%) percent except by approval by two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose.

(iii) Subject to the provisions of this Article VI, the Board of Directors may fix the Annual Assessment at any amount not in excess of the maximum Annual Assessment allowed

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for the applicable calendar year.

6.4. Special Assessments. In addition to the Annual Assessments, the Association may levy in any Annual Assessment Period a special assessment applicable to that year only (the "Special Assessment") for the purpose of defraying in whole or in part the cost of any unexpected expense, including, without limitation, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, and any unexpected exterior maintenance costs, including fixtures and personal property related thereto. A Special Assessment shall require the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose.

6.5. Notice and Quorum for Any Action Authorized Under Article VI. Written notice of any meeting called for the purpose of taking any action authorized under this Article VI shall be delivered to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States mail, addressed to the Member at its address as it appears on the books of the Association, with postage thereon prepaid. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of the votes of the Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (½) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

6.6. Uniform Rate of Assessment. Both Annual Assessments and Special Assessments must be fixed at a uniform rate for all Lots in Use or Lots, as the case may be. Provided, however, that the Association shall also have the authority, through the Board of Directors, to establish, fix and levy a Special Assessment on any Lot to secure the liability of that Owner to the Association arising from that Owner's breach of any of the provisions of this Declaration.

6.7. Date of Commencement of Annual Assessment/Due Dates. The Annual Assessments shall commence as to a Lot on the first day of the month following the date it becomes a Lot in Use. The first Annual Assessment shall be adjusted according to the number of months remaining in the calendar year. Written notice of the Annual Assessment shall be sent to every Owner subject thereto at least fifteen (15) days in advance of each Annual Assessment Period. The due date shall be established by the Board of Directors. The Association shall, upon demand at any time, furnish a certificate in writing signed by an officer of the Association setting forth whether the Assessments on a specified Lot have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. These certificates shall be conclusive evidence of payment of any Assessment as to third parties acting in reliance on the statement.

6.8. Non-Payment of Assessment/Remedies of the Association. Any Assessments which are not paid when due shall be delinquent. The Association shall have the option to declare the outstanding balance of any Assessment due and payable if any installment thereof becomes

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delinquent. If the Assessment is not paid within thirty (30) days after the due date, the assessment shall incur a late charge of \$25.00 and bear interest from the date of delinquency at the rate of twelve percent (12.0%) per annum or the highest rate allowed by law, whichever is less and the Association may bring an action at law against the responsible Owner and/or foreclose the lien against the applicable Lot. Interest, costs, and reasonable attorney fees of any such action shall be added to the amount of the delinquent Assessment. Each Owner, by the acceptance of a deed to a Lot, expressly vests in the Association, its agents or assigns, the right and power to bring all actions against the Owner personally liable for the collection of a debt and to enforce the lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage or a deed of trust lien on real property. Each Owner also expressly grants to the Association a power of sale in connection with foreclosure of a lien for Assessments. The lien provided for in this Article shall be in favor of the Association acting on behalf of the Owners, which shall have the power to bid in at foreclosure and to acquire and hold, lease, mortgage and convey the foreclosed Lot. No Owner may waive or otherwise escape liability for Assessments by non-use of the Common Area or abandonment of his Lot.

6.9. Subordination of the Lien. The lien of the Assessments shall be subordinated to the lien of the first mortgage on a Lot. Except in those instances described below, the sale or transfer of a Lot shall not release or otherwise affect the lien of delinquent Assessments. Provided the Association is given prior written notice of such, the sale or transfer of a Lot pursuant to the foreclosure of a first mortgage or pursuant to a deed in lieu given in satisfaction of a first mortgage shall extinguish the lien of the delinquent Assessments for that Lot. In no event, however, shall a sale or transfer relieve the Lot from liability for any Assessments subsequently becoming due or from the lien thereof.

6.10. Exempt Property. All Lots dedicated to and accepted by a local public authority, the Common Area, and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the Assessments.

ARTICLE VII INSURANCE

7.1. Coverage. The Association shall obtain a broad-form public liability policy covering all Common Area and all damage or injury caused by the negligence of the Association or any of its agents. This coverage shall be in the amount of at least One Million and No/100 Dollars (\$1,000,000.00). This insurance may include coverage against vandalism. All persons responsible for or authorized to expend funds or otherwise deal in the Association's assets shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties. The Association shall also obtain such other insurance coverage as it deems desirable and necessary.

7.2. Ownership/Proceeds. All contracts of insurance purchased by the Association shall be for the benefit of the Association and its mortgagees, if any, as their interest may appear, and the

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Owners, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee. The sole duty of the Association as insurance trustee shall be to receive any proceeds as are paid and to hold them in trust for the purposes stated in these Townhome Covenants. The proceeds received by the insurance trustee shall be distributed to or for the benefit of the appropriate beneficiary(ies).

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

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

ARTICLE VIII EASEMENTS

8.1. Blanket Utility Easement. A blanket easement upon, across, over, and under all of the Common Area is reserved for ingress and egress, installation, replacing, repairing and maintaining all utilities, including, without limitation, cable, water, sewer, gas, telephones, and electricity. Notwithstanding the foregoing, no cable, sewers, electrical lines, water lines, or other utility equipment or facilities may be installed or relocated in the Common Area except as approved by the Declarant or the Association (after the termination of Class B membership). If any utility furnishing a service covered by this general easement requests a specific easement by separate recordable documents, Declarant or the Association (after the termination of Class B membership) will have the right and authority to grant such easement. The easement provided for in this Section shall in no way affect other recorded easements on the Property.

8.2. Association Easements. The following easements are granted to the Association, its officers, agents, employees, independent contractors, and to any management company retained by the Association: (a) an easement to enter in or to cross over the Common Area; (b) an easement for entry by the Association (and the Persons described above) for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any Lot and that endangers any Improvements to or portion of the Common Area; and (c) an easement to enter upon and cross over each Lot for purposes of complying with the provisions of Section 6.2 hereof. In addition to the foregoing, the Declarant (as long as Class B membership exists) and the Association shall have the power and authority to grant and establish upon, over, under and across the Common Area such further easements as are requisite for the convenient use and enjoyment of the Property without approval of the membership as provided herein.

8.3. Temporary Construction Access and Disturbance Easement. An easement over, through and to the Common Area is reserved and established in favor of Declarant and all Owners for purposes of ingress, egress, regress, conduct of construction activity, storage of construction materials and the necessary disturbance of land for construction on any Lot. This easement shall be

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used only as and when necessary to facilitate the construction of Improvements at any time on a Lot by Declarant or Owner, as well as the extension of driveways, sidewalks, underground drainage and utility conduit and hookups to any living unit situated on a Lot. In each instance, the Person exercising these easement rights shall use its best efforts to minimize any soil or land disturbance activities, and shall restore the land to a condition which is graded smooth, in harmony with surrounding areas and, if applicable, landscaped in a manner substantially similar to any previous landscaping. If such Person fails to restore the disturbed land as required, the Association may restore the land to the required condition and that Person shall indemnify the Association for the reasonable expense incurred in performing that restoration. This easement shall be restricted to that Common Area which shall be reasonably servient and proximate to the Lot(s) upon which the construction is taking place.

8.4. Maintenance Easement. An easement over, through and to adjacent Lot(s) is reserved and established in favor of Declarant and all Owners for the purpose of maintaining any living unit located closer than five (5) feet from a Lot line. This easement shall be used only as and when necessary to facilitate such maintenance at any time on a Lot by Declarant or Owner. In each instance, the Person exercising these easement rights shall use its best efforts to minimize any soil or land disturbance activities, and shall restore the land to substantially the same condition as existed prior to such maintenance work. If such Person fails to restore the disturbed land as required, the Owner(s) of the adjacent Lot(s) may restore the land to the required condition and that Person shall indemnify the Owner(s) of the adjacent Lot(s) for the reasonable expense incurred in performing that restoration.

8.5. Unintentional Encroachment. If any Lot shall encroach upon any Common Area or upon any other Lot for any reason not caused by the purposeful or negligent act of the Owner, then an easement appurtenant to such Lot shall exist for the continuance and maintenance of such encroachment upon the Common Area or other Lot for so long as such encroachment shall naturally exist; and, if any portion of the Common Area shall encroach upon any Lot, then an easement shall exist for the continuance and maintenance of such encroachment of the Common Area onto any such Lot for so long as such encroachment shall naturally exist.

8.6. Drainage Easement. For a period of thirty-six (36) months following the initial conveyance of a Lot to an Owner by the Declarant, that Lot shall be subject to an easement for entry and encroachment by the Declarant for the purpose of correcting any grading or drainage problems with respect to that Lot or adjoining Lots. After such an entry, the Declarant, at its expense, shall, to the extent reasonably practicable, restore the affected Lot(s) to their original condition.

8.7. Easement for Underground Utilities and Street Lighting. Declarant reserves the right to subject the Property to a contract with Carolina Power & Light Company for the installation of underground electric cables and the installation of street lighting, either or both of which may require a continuous monthly charge to the Owner of each Lot.

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8.8. Governmental Easements.

A. Declarant grants an easement for the benefit of the appropriate governmental entity over all Common Area and over an area five feet behind the curb line of any street or roadway in the Property existing now or in the future for the setting, removal, and reading of water meters, the maintenance and replacement of water and sewage facilities and the collection of garbage.

B. An easement is also granted to all police, fire protection, garbage, mail collection, delivery, ambulance, and all similar persons to enter upon the streets and Common Area in the performance of their duties.

8.9. Sign and/or Landscape Easement. An easement is granted to the Association, its officers, agents, employees, independent contractors, and to any management company retained by the Association to enter in or to cross over any portion of a Lot denoted as "Sign Easement" or "Landscape Easement" on any recorded plat of the property. The Association shall be solely obligated and responsible to maintain such easement area, including, without limitation, planting, watering, pruning, weeding, spraying, maintaining and replacing any shrubbery, trees, fences, signage, and other landscape material which shall be placed thereon. The Owner of any Lot encumbered by a sign or landscape easement area agrees not to remove, injure or otherwise destroy the signage or landscape material placed therein; but such Owner shall in all respects remain the fee owner of such Lot and may use the Lot for all purposes not inconsistent with the terms and conditions hereof.

8.10 Priority of Easements. Each of the above easements shall be deemed established upon the recordation of this Declaration and shall henceforth be deemed covenants running with the land for the use and benefit of the Lots and the Common Area, as the case may be, superior to all other encumbrances which may hereafter be applied against or in favor of the Property or any portion thereof.

ARTICLE IX
ARCHITECTURAL COMMITTEE

9.1. Members. The Architectural Committee shall initially consist of one (1) or more persons designated by Declarant. Upon the termination of Class B membership in accordance with Sections 4.2(B)(i) and (iii), Declarant shall assign to the Association the rights, powers, duties and obligations of the Architectural Committee. Upon this assignment, the Board of Directors shall appoint three (3) or more persons as the members of the Architectural Committee.

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

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

9.3. Approval of Plans & Specs. No Improvements shall be commenced, erected, or maintained upon the Property, nor shall any Improvements be repaired or rebuilt after destruction by any hazard until the Plans & Specifications, showing the nature, color, kind, space, height, materials, and location of the Improvements shall have been submitted to and approved in writing by the Architectural Committee. A failure to approve or disapprove completed Plans & Specifications within thirty (30) days after they have been submitted shall be deemed to be an approval of those completed Plans & Specifications. Neither the Association, the Board of Directors, the Declarant, the Architectural Committee or any officer, employee, director or members thereof shall be liable for damages to any persons by reason of mistake in judgment, negligence or nonfeasance arising out of or in connection with the approval, disapproval or failure to approve any Plans & Specifications. Every Person who submits Plans & Specifications for approval agrees, by submission of such Plans & Specifications, that it will not bring any action or suit to recover any such damages.

ARTICLE X ARCHITECTURAL CONTROL AND USE RESTRICTIONS

10.1. Building Sites. Each Lot, as approved by the appropriate governmental entity, shall constitute a building site (a "Building Site") and shall be used for single-family residential purposes only. The lay of the Lots as shown on the recorded plat shall be substantially adhered to; provided, however, that the size and shape of any Lot may be altered with the prior written approval of the Declarant (as long as Class B Membership exists), the Board of Directors or the Architectural Committee and the appropriate governmental authority. More than one Lot may be used as one Building Site. In no event, however, shall a Lot or group of Lots be resubdivided or recombined in violation of any applicable zoning or other laws in force at the time of the change. Declarant reserves the right to utilize any Lot for purposes of constructing a road to access adjacent property, subject to approval by all necessary governmental authorities.

10.2. Setbacks. Building setbacks of all structures on any Lot shall be as set forth on any recorded plat of the Property. For the purposes of this covenant, eaves, steps, carports, decks and open porches shall not be considered as a part of a building, provided, however, that this shall not be construed to permit any portion of a building on a Building Site to encroach upon another Lot. Declarant (so long as Class B membership exists), the Board of Directors or the Architectural Committee may approve a violation of these requirements by written waiver, provided such violation

otherwise complies with the applicable zoning ordinances and setback requirements.

10.3. Structures. Improvements on any Building Site shall be limited to single-family, residential structures. No residential structure which has a minimum area of less than 900 square feet of heated area for a one story residence and 1,400 square feet for a one and one-half or two story structure, exclusive of porches, basement and garage, shall be erected or placed on any Building Site. All buildings and structures erected upon Lots shall be of new construction and no building or structures, other than attached single-family townhomes (not to exceed 6 feet in height) shall be constructed. No structures of a temporary character, manufactured home, modular home, trailer, basement, tent, shack, garage, barn or other out-building shall be used on any portion of the Property at any time as a residence, either temporarily or permanently. No storage shed, garage or other out-building shall be constructed, used or permitted on any portion of the Property without the prior written approval of the Declarant (as long as Class B membership exists), the Board of Directors or the Architectural Committee.

10.4. Declarant Facilities. Notwithstanding any provision in this Article to the contrary, for ten (10) years following the date of incorporation of the Association, Declarant may, subject to all applicable laws of the City of Raleigh, maintain such facilities as Declarant deems reasonably required, convenient, or incidental to the development and sale of the Lots. These facilities shall include, without limitation, a business/sales office, storage area, construction yards and signs.

10.5. Animals. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on the Lots, except that a reasonable number of domesticated, household pets may be kept, provided they are (a) not maintained for commercial purposes, (b) reasonably restrained while outside the living unit, and (c) not permitted access to an outside shelter which is (i) not approved by the Declarant, the Board of Directors or the Architectural Committee, or (ii) visible from the street.

10.6. Screening. All clothes lines, equipment, garbage cans, service yards, wood piles, or storage piles shall be kept screened by adequate Improvements so as to screen them from view from the street and adjoining Lots. All garbage, trash, or rubbish shall be regularly removed from the Lot and shall not be allowed to unreasonably accumulate.

10.7. Leasing. No Lot or any portion of the Improvements situated thereon shall be leased for transient or hotel purposes. Notwithstanding the foregoing, an Owner may lease not less than the entire residential structure on its Lot, provided that each lease must (a) be in writing, (b) be for a period of not less than one hundred eighty (180) days, and (c) provide that it is subject to this Declaration and the Bylaws, and that any failure by a tenant to comply with such shall be a default under the lease. Failure to include this provision in the lease will not relieve the tenant from complying with the Declaration and the Bylaws.

10.8. Utility Devices. Without the prior written approval of Declarant (as long as Class B membership exists), the Board of Directors or the Architectural Committee, no exterior television or radio antennas, satellite dishes or solar panels or other utility devices of any sort shall be placed, allowed or permitted upon any portion of the exterior of the Improvements to be located upon the Property; provided, however, that television satellite dish antennae less than 24" in diameter may

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be approved subject to the provisions of Sections 9.3 and 10.6 above. For the convenience of the Members, the Association may provide one or more central television antennas and cablevision, the cost of which will be included in Annual or Special Assessments.

10.9. Business/Obnoxious Activity. No business activity of any kind or any obnoxious or offensive activity shall be conducted on the Property or Improvements thereon, nor shall anything be done which may be or may become a nuisance or annoyance to the neighborhood. Nor shall the Property be used in any way or for any purpose which may endanger the health of or unreasonably disturb an Owner or his tenants or invitees. No "For Sale" or "For Rent" signs exceeding four (4) square feet in dimension, advertising signs, billboards, unsightly objects or nuisances shall be erected, placed or permitted to remain on the Property, and in no event in the Common Area. The foregoing covenants shall not, however, apply to the business activities, signs, and billboards or the construction and maintenance of buildings, if any, of Declarant, its agent and assigns, during the construction and sales period for the Subdivision.

10.10. Vehicles. No boats, recreation vehicles, or trailers of any Owner or member of its family, tenants, or contract purchasers shall be parked within the Common Area, or within the right-of-way of any street in or adjacent to the Property. All boats, recreation vehicles, or trailers shall be stored either within the Owner's garage or other facilities not located on the Property or screened from public view from the street and adjoining properties. No boat, recreation vehicle or trailer may be located closer to the street than the front foundation of the house, the exact location to be approved by the Board of Directors or Architectural Committee. No Owner or its tenant(s) shall park or store an inoperative or abandoned boat, recreation vehicle, trailer or automobile on any Lot, Multiple-Family Lot or on the streets in the Property.

10.11. Above-Ground Tanks. No exposed above-ground tanks will be permitted for the storage of fuel or water or any other substance. Notwithstanding such, tanks may be placed above-ground provided they are kept in a screened enclosure which must exceed in height by at least one (1) foot any such tank as may be placed therein. The screened enclosure shall be subject to the Architectural Committee's prior approval.

10.12. Lawn Ornaments. Decorative lawn ornaments shall be approved in writing by the Architectural Committee prior to installation or placement on any Lot.

10.13. Parking Right. Adequate off-street parking shall be provided by the Owner of each Lot for the parking of automobiles owned by that Owner. Owners and their tenants shall not be permitted to park their automobiles on the streets in the Subdivision.

10.14. Fences. No fence or wall shall be erected or maintained: (i) on the side yard of any Lot nearer to the street than the front building line of the living unit; (ii) in the front yard of any Lot, except for fences erected in conjunction with model townhomes or sales offices; or (iii) in any location on a Lot that would result in unreasonable interference with the Exterior Maintenance. All fences constructed require prior written consent of the Declarant (as long as Class B membership exists), the Board of Directors, or the Architectural Committee. Perimeter fencing and privacy fencing around patios or decks may not exceed six (6) feet in height.

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10.15. Maintenance. Each Owner shall keep his Lot free of trash and rubbish and, except for those portions of each Lot and the living unit situated thereon which are to be maintained by the Association in accordance with the provisions of Section 6.2, shall otherwise properly maintain its Lot and its Improvements so as to present a pleasing appearance. In the event an Owner does not, in the reasonable opinion of the Architectural Committee, properly maintain its Lot and/or Improvements, the Declarant and/or Association may have the required work done and the costs incurred shall be assessed against the Owner.

10.16. Window Treatments. No aluminum foil, reflective film or similar treatment shall be placed on windows or glass doors.

10.17. Governmental Regulations. Each Owner shall comply with all laws, ordinances, governmental building codes, health regulations, zoning restrictions and the like applicable to its Lot and/or Common Areas. In the event of any conflict between any provision of such governmental code, regulation or restriction and any provision of this Declaration, the more restrictive provision shall apply.

10.18. Additional Restrictions. The Declarant (as long as Class B membership exists), the Board of Directors or the Architectural Committee shall have the power to formulate, amend, publish and enforce other reasonable rules and regulations concerning the architectural control and use of the Property.

10.19. Anti-Discrimination. No action shall at any time be taken by the Declarant (as long as Class B membership exists), the Board of Directors or the Architectural Committee in the enforcement or interpretation of these Townhome Covenants which in any manner would unfairly discriminate against any Owner in favor of any of the other Owners.

10.20. Waiver. Notwithstanding anything above to the contrary, the Declarant (as long as Class B Membership exists), the Board of Directors, or the Architectural Committee shall have the right, in the exercise of their reasonable discretion, to waive one or more violations of the requirements of this Article. No waiver shall be effective unless in writing and nevertheless shall not operate as a waiver of any other requirement respecting the Lot in question or any other Lots subject to this Declaration. No waiver shall be effective if it shall cause the Lot or structures thereon to be in non-conformance with any applicable governmental ordinances.

ARTICLE XI PARTY WALLS

11.1 General Rules of Law to Apply. Each wall comprising a portion of attached townhomes constructed on any Lot(s) which is placed on the dividing line between Lots (and any re-construction or extension thereof) shall be deemed "party walls", and, to the extent not inconsistent with the provisions of this Article XI, the general rules of law regarding such walls shall apply thereto.

11.2 Destruction By Fire or Other Casualty. If a party wall is damaged or destroyed by

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fire or other casualty, any Owner who has used the wall may restore the wall. Each Owner who uses the restored party wall shall contribute to the costs of restoring the same in proportion to each such Owner's use; provided, however, that such contribution shall not prejudice the right of any such Owner to seek a larger contribution from any contributing Owner(s) based on negligence or willful misconduct.

11.3 Alteration, Repair and Maintenance. Each Owner may construct, reconstruct, repair or extend a party wall situated on its Lot in an expeditious manner and in accordance with the provisions hereof. To the extent reasonably necessary, an Owner may go upon an adjoining Lot to perform such work. Upon the completion of such work, the Owner responsible therefore will restore the adjoining Lot to a condition as near as reasonably practicable to that which existed before such work was commenced. All reasonable costs for the repair and maintenance of a party wall shall be shared by the Owners who use the wall in proportion to such use; provided, however, that the cost of any repair necessitated by damage resulting from an Owner's negligence or intentional misconduct will be the sole responsibility of the Owner causing such damage. The cost of any voluntary alteration or improvement of a party wall shall be the sole responsibility of the Owner(s) performing such work.

11.4 Right to Contribution. An Owner's right hereunder to contribution from another Owner shall be appurtenant to and run with the land. An Owner wishing to sell, transfer, mortgage or otherwise convey an interest in its Lot(s) may request in writing that the adjoining Lot Owner(s) provide to the requesting Owner within ten (10) days after receipt of such request a certificate stating that no contribution is due and owing to it from the requesting Owner, or if a contribution is claimed, describing in reasonable detail the amount and nature of the claim. Any such certificate shall be provided at no charge. These certificates shall be conclusive evidence of payment as to third parties acting in reliance of the statement contained therein.

11.5 Arbitration. Notwithstanding anything to the contrary contained herein, any dispute between Owners concerning a party wall or arising under this Article XI shall be settled by binding arbitration.

ARTICLE XII GENERAL PROVISIONS

12.1. Enforcement. The Declarant (as long as Class B Membership exists), the Association or any Owner shall have the right to enforce, by a proceeding at law or in equity, the terms of the Townhome Covenants. Failure by the Declarant (as long as Class B membership exists), the Association or by any Owner to enforce any covenant or restriction herein shall in no event be deemed a waiver of the right to do so thereafter.

12.2. Remedies. In the event of any default in and/or breach of any of the terms, conditions and provisions of this Declaration (either actual or threatened) the party or parties who are thereby aggrieved shall have the right to specific performance and/or injunction in addition to any and all other rights and remedies at law or in equity. The rights and remedies provided by this Declaration are distinct and cumulative and the use of any one right or remedy by any party shall not preclude

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or waive its right to use any or all other remedies. No delay or omission of a party to exercise any right or power arising from any default on the part of the other shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein. The rights and remedies provided herein are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

12.3. Duration and Amendment.

A. The Townhome Covenants shall run with the land for a term of thirty (30) years from the date of their recording and shall inure to the benefit of the Declarant (as long as Class B Membership exists), the Association or any Owner or their respective legal representatives, heirs, successors, and assigns. The Townhome Covenants shall thereafter automatically be extended for successive periods of ten (10) years unless terminated or amended by an instrument signed by not less than the Owners of seventy-five percent (75%) of the Lots.

B. Declarant (as long as Class B membership exists) shall have the right to amend the Townhome Covenants at any time, without the consent of the Members, for the following purposes: (i) to conform to the requirements of any law or governmental agency having legal jurisdiction over the Property; (ii) to qualify the Property or any Lots and Improvements thereto for mortgage or improvement loans made, insured or guaranteed by a government agency; or (iii) to comply with the requirements of laws or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United States Government or the State of North Carolina regarding purchase or sale of 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. A letter from an official of any such corporation or agency, including, without limitation, the City, the Veterans Administration, U.S. Department of Housing and Urban Development, the Federal Home Loan Mortgage Corporation, Government National Mortgage Corporation, or the Federal National Mortgage Association, requesting or suggesting an amendment necessary to comply with the requirements thereof, shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion. If Declarant (as long as Class B membership exists) decides to qualify the Property for Federal Housing Administration or Veterans Administration approval, the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties in accordance with the provisions of Article III, dedication of Common Area, and amendment of this Declaration.

C. No amendment which would change or delete any provision herein required by any governmental authority shall become effective until submitted to and approved by that authority; provided, however, that if such authority fails to approve or disapprove the amendment within thirty (30) days after the same has been submitted to it, such approval shall not be required and the Person submitting the amendment shall be deemed to have fully complied with this covenant.

D. If an amendment is executed as provided hereinabove, each such amendment

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shall be delivered to the Board of Directors which shall, within thirty (30) days:

(i) Reasonably assure itself that the amendment has been executed by the Owners of the required number of Lots (for this purpose, the Board of Directors may rely on its roster of Members, and shall not be required to cause the title to any Lot to be examined); and

(ii) Attach the following certification:

CERTIFICATION

By authority of its Board of Directors, Lake Woodard Townhome Association, Inc. certifies that the foregoing instrument has been duly executed by the Owners of seventy-five percent (75%) of the Lots in the Property and is therefore a valid amendment to the Townhome Covenants recorded at Book _____ Page _____, Wake County Registry.

LAKE WOODARD TOWNHOME ASSOCIATION, INC.

ATTEST:

Secretary
(CORPORATE SEAL)

By: _____
President

Within the thirty (30) day period, the Board of Directors shall cause the amendment to be recorded with the appropriate Register of Deeds. All amendments shall be effective from the date of recordation in the appropriate Register of Deeds; provided, however, that no such instrument shall be valid until it has been indexed in the name of the Association.

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

12.5. Voting. Voting by Members of the Association shall be in accordance with the applicable provisions set forth in the Declaration and the Association's Bylaws.

12.6. Member Addresses. Each Member agrees to provide the Association with written notice of his/her change of address within thirty (30) days after such change, and any notice sent or delivered to that address shall be sufficient. Each new Member agrees to provide the Association with evidence of his ownership for preparation of a membership roster and the roster as so completed shall be sufficient evidence as to the ownership of each Lot.

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

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context requires.

12.8. Owner Responsibility. Notwithstanding anything to the contrary contained herein, an Owner shall be responsible for any and all omissions, commissions, and violations of these Townhome Covenants by his employees, agents, tenants, contractors, guests and invitees. When a party to this Declaration consists of more than one individual or entity, such party's liability hereunder shall be joint and several.

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

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

12.11. Landscaped Traffic Islands.

A. Landscaping of traffic island(s) within the right(s)-of-way of public street(s) shall be the sole responsibility of the Association. Neither the City nor the State will be liable for any accidents or damage caused by such encroachment within the right(s)-of-way of public street(s), and the Association shall hold harmless the public.

B. The Association shall be responsible for street landscaped islands within the right(s)-of-way of private street(s). Such street landscaped islands shall remain neat, clean, attractive and safe. Damaged, unsafe or dead plants shall be removed by the Association, and indemnify the City and State from such liability.

12.12. No Exemption. No Owner or other party may exempt itself from the coverage hereof or obligations imposed hereby by non-use or abandonment of such Owner's Lot or the Common Area.

12.13. Captions. The titles, headings and captions which have been used throughout this Declaration are for convenience only and are not to be used in construing this Declaration or any part thereof.

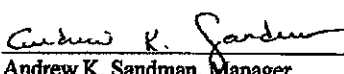
12.14. Responsibility and Liability For Private Streets. In no case shall the City or the State of North Carolina be responsible for maintaining any private street. Such responsibility shall rest with the Association in that such private streets will not be constructed to the minimum standards sufficient to allow their inclusion for public maintenance. Furthermore, in no case shall the City be responsible for failing to provide any emergency or regular fire, police or other public service to the Subdivision or its occupants when such failure is due to lack of access thereto due to inadequate design or construction, blocking of access routes, inadequate maintenance, or any other factor within the control of either Declarant or the Association. All conveyances made with respect to the Subdivision shall indicate the foregoing limitations; provided, however, that a failure to include such statement in the transfer deed shall not affect enforcement of this Section 12.14.

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IN WITNESS WHEREOF, Declarant has executed this Declaration under seal as of the day and year first above written.

SAM DEVELOPMENT, LLC, a North Carolina
limited liability company

By:  (SEAL)
Mitchell T. Murphy, Manager

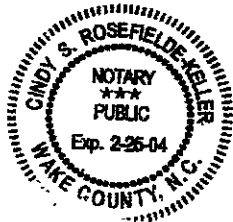
By:  (SEAL)
Andrew K. Sandman, Manager

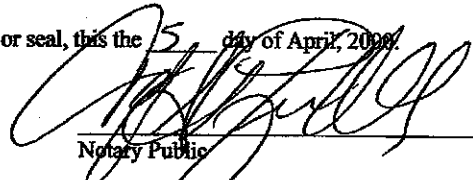
STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, the undersigned Notary Public of the aforesaid County and State, do hereby certify that MITCHELL T. MURPHY, Manager of SAM DEVELOPMENT, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official stamp or seal, this the 5 day of April, 2008.




Notary Public
My Commission Expires: _____

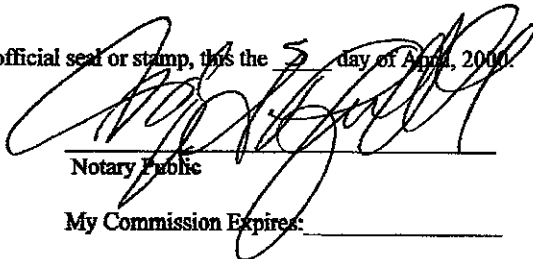
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STATE OF NORTH CAROLINA

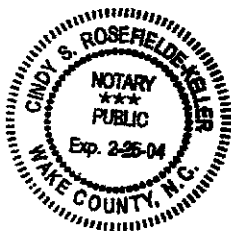
COUNTY OF WAKE

I, a Notary Public of the aforesaid County and State, do hereby certify that ANDREW K. SANDMAN, Manager of SAMDEVELOPMENT, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal or stamp, this the 5 day of April, 2000.



Notary Public
My Commission Expires: _____



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EXHIBIT A

DESCRIPTION OF PROPERTY

BEING all of Lots 201 through 222, inclusive, open space and right-of-way, Lake Woodard Townhomes, containing 5.108 acres in the aggregate, as shown on plat recorded in Book of Maps 2000, Page 462, Wake County Registry.

f:\cindy\realtest\declarat\lakewood1.014

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Laura M Riddick
Register of Deeds
Wake County, NC



Book : 886557 Page : 88688 - 88632

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



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

North Carolina - Wake County

The foregoing certificate ___ of Cindy S. Rosenfield-Keller

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

Laura M. Riddick, Register of Deeds

By: Murray M. Parker
Assistant/Deputy Register of Deeds

This Customer Group
of Time Stamps Needed

This Document
25 New Time Stamp
of Pages

**BYLAWS
OF
LAKE WOODARD TOWNHOME ASSOCIATION, INC.**

**ARTICLE I
DEFINITIONS**

The following terms used in these Bylaws shall have the following meanings (unless otherwise expressly provided herein):

- (a) "Act" means the North Carolina Nonprofit Corporation Act as promulgated.
- (b) "Articles" means the Association's Articles of Incorporation.
- (c) "Association" means LAKE WOODARD TOWNHOME ASSOCIATION, INC., a nonprofit North Carolina corporation.
- (d) "Board of Directors" means the Board of Directors for the Association.
- (e) "Bylaws" means the Association's Bylaws.
- (f) "Common Area" shall mean and refer to all real property which is owned or leased by, or located in an easement granted to or reserved by, the Association and which has been designated by Declarant, the record owner of newly annexed land, or the Association as "Common Area" or some other similarly descriptive term, on a recorded plat, in a Declaration of Annexation, or in a deed or other written instrument for the common use and enjoyment of the Members of the Association. Common Area shall also refer to the Subdivision signage, water lines, sewer lines, storm water ponds, storm pipes, water retention and detention devices which are not otherwise dedicated to and accepted by a governmental entity or serving only a single Lot, and all personal property owned or leased by the Association and designated as Common Area by Declarant or the Association. All Common Area shall be subject to the terms and conditions of the Declaration.
- (g) "Declarant" means SAM DEVELOPMENT, LLC, a North Carolina limited liability company, and its successors and assigns designated as Declarant.
- (h) "Declaration" means the Declaration of Covenants, Conditions and Restrictions for LAKE WOODARD TOWNHOMES, recorded in Book ____, Page ____, Wake County Registry, and any recorded amendments thereto.
- (i) "Director" means each individual elected or appointed, pursuant to the provisions of these Bylaws, to serve on the Board of Directors of the Association.

(j) "Lot" means any numbered or lettered plot of land (excluding Common Areas; but including, without limitation, townhome blocks) shown on any plat, described by a metes and bounds description, recorded in the Office of the Register of Deeds, Wake County, North Carolina, which is made subject to the Declaration, as it may be amended.

(k) "Lot in Use" means any Lot for which a certificate of occupancy has been issued.

(l) "Member" means every Person who holds membership in the Association.

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

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

(o) "Property" is as defined on Exhibit "A" attached hereto, but shall also include any annexations thereto of the real property described in Article III of the Declaration.

(p) "Subdivision" means LAKE WOODARD TOWNHOMES, as shown on the recorded subdivision plat(s) of the Property.

ARTICLE II ORGANIZATION OF THE CORPORATION

Section 1. Name. The name of the corporation is LAKE WOODARD TOWNHOME ASSOCIATION, INC., a North Carolina nonprofit corporation ("Association").

Section 2. Principal Office. The principal office of the Association shall be located at 9220 Fairbanks Drive, Suite 210, Raleigh, North Carolina 27613. The Board of Directors of the Association may fix the location of its principal office from time to time.

Section 3. Registered Office and Registered Agent. The office of the Association's registered agent shall be at its initial principal office and the name of its initial registered agent at such office shall be MITCHELL T. MURPHY.

ARTICLE III PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate a pecuniary gain or profit to the Members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation, and

architectural control of each Lot and the Common Area within the Property and any additions thereto as may hereafter be brought within the jurisdiction of this Association, and for this purpose to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, and as the same may be amended from time to time, being incorporated herein as if set forth at length;

(b) fix, levy, collect, and enforce payment by any lawful means all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;

(c) subject to all applicable laws of the City of Raleigh, acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer or dedicate for public use real or personal property in connection with the affairs of the Association;

(d) dedicate, sell, or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument has been signed by two thirds of each class of Members agreeing to such dedication, sale, or transfer, provided, that this subsection shall not preclude the Board of Directors of the Association from granting easements to public authorities or others for the installation and maintenance of sewage, utilities, drainage facilities, upon, over, under and across the Common Area without the assent of the membership when, in the sole opinion of such Board, such easements do not interfere with the use and enjoyment of a Common Area or are necessary for the convenient use and enjoyment of the Common Area;

(e) participate in mergers and consolidations with other non-profit corporations organized for the same purposes or annex additional real property and Common Area, provided that any such merger, consolidation, or annexation shall have the consent of the Members and the Raleigh City Attorney or his or her deputy, as provided in the Declaration;

(f) have and to exercise any and all powers, rights and privileges which a corporation organized under the Act may now or hereafter have or exercise;

(g) exchange Common Areas for other properties, subject to the approval of the Raleigh City Planning Director and the laws of the City of Raleigh.

ARTICLE IV MEMBERSHIP

Section 1. Membership. Every Person who is an Owner shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole

qualification for membership. The Board of Directors may make reasonable rules relating to the proof of ownership of a Lot in the Subdivision.

Section 2. Suspension of Membership. During any period in which a Member shall be in default in the payment of any annual or special assessment levied by the Association, such Member's voting rights and rights to use the Common Areas may be suspended by the Board of Directors until such assessment has been paid. Such Member rights may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Area.

ARTICLE V PROPERTY RIGHTS

Every Member shall have a right and easement of use and enjoyment in and to the Common Area, including the rights of ingress and egress, and such easement shall be appurtenant to and shall pass with ownership of each Lot, subject to the terms and conditions contained in the Declaration.

ARTICLE VI VOTING RIGHTS

The Association shall have two classes of voting membership:

(a) Class A Members shall be all Owners with the exception of the Declarant. Declarant shall, however, be a Class A member upon the termination of Class B membership. Class A members shall be entitled to one (1) vote for each Lot owned. When more than one Person holds an interest in any one Lot, all such Persons shall be Members. The vote of that Lot shall be exercised as the majority of such Persons, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to each Lot. Fractional voting is prohibited.

(b) The Class B Member shall be the Declarant. Class B Members shall be entitled to three (3) votes for each Lot owned. Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(i) Declarant's written consent to termination; or

(ii) When the total votes outstanding in Class A equal the total votes outstanding in Class B [provided, however, that Declarant shall retain its architectural review and approval rights under Article IX of the Declaration until the Class B membership is terminated in accordance with either Section 4.2(B) (i) or (iii) thereof]; or

(iii) Ten (10) years following the date of incorporation of the Association.

Notwithstanding anything contained in sub-paragraphs (i) and (ii) above to the contrary, the

Class B membership shall be reinstated if, after the events described in sub-paragraphs (i) and (ii) above, and before the time stated in sub-paragraph (iii) above, Declarant annexes additional lands to the Property without the assent of the Class A Members, as provided for in Section 3.2 of the Declaration.

ARTICLE VII MEETINGS OF MEMBERS

Section 1. Annual Meeting. An annual meeting of the Members will be held at such time and date as shall be designated by the Board of Directors as stated in the notice of meeting. The Board of Directors may change the date of the annual meeting from time to time. The purposes of the annual meeting need not be enumerated in the notice of such meeting, unless otherwise required by these Bylaws, the Declaration or the Act.

Section 2. Special Meetings. Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by either (1) the Board of Directors, (2) the President, or (3) upon the written request of Members who hold not less than 10% of all votes entitled to be cast on any issue proposed to be considered at the special meeting. A meeting called by the Members shall be held within thirty (30) days of the Association's request therefore.

Section 3. Place of Meetings. The Board of Directors shall designate the place of meeting in Wake County for the annual meeting of the Members. Provided, however, if no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Association.

Section 4. Notice of Meetings. Except as may otherwise be provided in the Declaration, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, by or at the direction of the Secretary or person authorized to call the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States Mail, addressed to the Member at its address as it appears on the books of the Association, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall include a description of the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not include a description of the purpose or purposes for which the meeting is called unless such a description is required by the provisions of the Act.

Section 5. Record Date. For the purpose of determining the Members entitled to notice of, or to vote at, any meeting of Members or any adjournment thereof or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed shall be the record date for such determination of Members. Unless otherwise determined by the

Board of Directors, if a determination of Members entitled to vote at any meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 6. Quorum. Members holding at least ten percent (10%) of the votes of each class of membership, represented in person or by proxy, shall constitute a quorum for any action at any meeting of Members except as otherwise provided in these Bylaws, the Articles or the Declaration. In the absence of a quorum at any such meeting, a majority of the Members so represented may adjourn the meeting from time to time, for a period not to exceed sixty (60) days, without further notice. However, if at the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Members whose absence would cause less than a quorum to be present.

Section 7. Manner of Acting. Except in the election of Directors as governed by the provisions of Article VIII, if a quorum exists, the affirmative vote of a majority of the votes cast shall be the act of the Members, unless a greater vote is required by the Act, the Articles, the Bylaws, or the Declaration. Cumulative voting is expressly prohibited.

Section 8. Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Association before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 9. Action by Written Consent. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is taken by all Members entitled to vote on the action. The action taken shall be evidenced by one (1) or more written consents describing the action taken, signed before or after such action by the Members entitled to vote thereon, and delivered to the Association for inclusion in the minutes or for filing with the corporate records. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs the written consent.

Section 10. Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice. A Member's attendance, in person or by proxy, at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the Member or his proxy at the beginning of the meeting objects to holding the meeting or conducting business at the meeting, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member or his proxy objects to considering the matter before it is voted upon.

ARTICLE VIII BOARD OF DIRECTORS

Section 1. General powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be managed under the direction of, the Board of Directors.

Section 2. Number and qualifications. The number of directors constituting the Board of Directors shall be not less than two (2) nor more than nine (9). Directors need not be Members of the Association.

Section 3. Term. At the first annual meeting of members, Members shall elect one-third of the directors for a term of one year, one-third of the directors for a term of two years and one-third of the directors for a term of three years. At each annual meeting thereafter the Members shall elect one-third of the directors for a term of three years, and thereafter until their successors are elected and qualified.

Section 4. Nomination of Directors. Nomination for election to the Board of Directors shall be made by a Nominating Committee to be established in accordance with these Bylaws. Nominations may also be made from the floor at the annual meeting of Members. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made only from among Members.

Section 5. Election . Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of Article VI. The persons receiving the largest number of votes shall be elected. Fractional and cumulative voting is expressly not permitted.

Section 6. Expiration of Term. A Director's term shall expire upon such Director's death, resignation, or removal. The term of a Director elected to fill a vacancy expires at the next meeting of Members at which directors are elected. A decrease in the number of directors does not shorten an incumbent Director's term. Despite the expiration of a Director's term, such Director shall continue to serve until a successor shall be elected and qualifies.

Section 7. Removal. Except as herein stated, any Director may be removed at any time with or without cause by a vote of the Members if the number of votes cast to remove such

Director would be sufficient to elect the Director at a meeting to elect Directors. A Director may not be removed by the Members at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is removal of the Director. If any Directors are so removed, new Directors may be elected at the same meeting. A majority of the Directors then in office may remove any Director elected by the Board of Directors; provided, however, any Director elected by the Board of Directors to fill the vacancy of a Director elected by the Members may be removed only by the Members.

Section 8. Vacancies. Any vacancy occurring in the Board of Directors, including without limitation a vacancy resulting from a failure by the Members to elect the full authorized number of Directors, may be filled by the Members or by the Board of Directors, whichever group shall act first. If the Directors remaining in office do not constitute a quorum, the Directors may fill the vacancy by the affirmative vote of a majority of the remaining Directors.

Section 9. Compensation. No Director shall receive compensation for any service he may render to the Association in his capacity as Director; provided, however, any Director may be reimbursed for any and all expenses incurred by him in connection with such services.

ARTICLE IX MEETINGS OF DIRECTORS

Section 1. Regular meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of Members. In addition, the Board of Directors may provide, by resolution, the time and place, for the holding of additional regular meetings.

Section 2. Special meetings. Special meetings of the Board of Directors may be called by or at the request of the President or by any two (2) Directors, after not less than three (3) days notice to each Director.

Section 3. Notice of meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least three (3) days before the meeting, give or cause to be given notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called unless otherwise required by the Act or these Bylaws. Any duly convened regular or special meeting, may be adjourned by the Directors to a later time without further notice.

Section 4. Waiver of notice. Any Director may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the Director entitled to the notice, and delivered to the Association for inclusion in the minutes or filing with the corporate records. A Director's attendance at, or participation in, a meeting waives any required notice of such meeting unless the Director at the beginning of the meeting, or promptly upon arrival, objects to holding the meeting or to transacting business at the meeting and does not thereafter vote for or assent to action

taken at the meeting.

Section 5. Quorum. Unless the Articles or these Bylaws provide otherwise, a majority of the number of directors fixed by or pursuant to these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 6. Manner of acting. Except as otherwise provided in these Bylaws, including Section 9 of this Article IX, the affirmative vote of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Presumption of assent. A Director who is present at a meeting of (i) the Board of Directors or (ii) committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (a) he objects at the beginning of the meeting, or promptly upon his arrival, to holding it or to transacting business at the meeting, or (b) his dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) he files written notice of his dissent or abstention with the presiding officer of the meeting before its adjournment or with the Association immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a Director who votes in favor of the action taken.

Section 8. Action without meeting. Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all Directors then in office. The action shall be evidenced by one or more written consents signed by each Director before or after such action, describing the action taken, and included in the minutes or filed with the corporate records reflecting the action taken.

Section 9. Committees of the Board. The Board of Directors may create an Architectural Committee, as provided in the Declaration, a Nominating Committee, as provided in these Bylaws, and any other committee as deemed appropriate in carrying out its purposes, and appoint members of the Board of Directors to serve on them. The creation of a committee of the Board of Directors and appointment of members to it must be approved by the greater of (a) a majority of the number of Directors in office when the action is taken or (b) the number of Directors required to take action pursuant to this Article IX. Each committee of the Board of Directors must have two or more members and, to the extent authorized by law and specified by the Board of Directors, shall have and may exercise all of the authority of the Board of Directors in the management of the Association. Each committee member serves at the pleasure of the Board of Directors. The provisions in these Bylaws governing meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors apply to committees of the Board of Directors established under this section.

ARTICLE X OFFICERS

Section 1. Officers of the Association. The officers of the Association shall consist of

a President, a Vice-President, who shall at all times be members of the Board of Directors, a Secretary, a Treasurer, and such other officers as may from time to time be appointed by the Board of Directors. Any two or more offices may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

Section 2. Election and term. The officers of the Association shall be elected annually by the Board of Directors and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed or otherwise disqualified to serve. Such elections may be held at any regular or special meeting of the Board. Each officer shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Duties.

(a) **President.** The President shall preside at all meetings of the Board of Directors and all meetings of the Members; shall see that orders and resolutions of the Board of Directors are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all promissory notes.

(b) **Vice Presidents.** The Vice President shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, he shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

(c) **Secretary.** The Secretary shall keep accurate records of the acts and proceedings of all meetings of Members and Directors. He shall have general charge of the corporate books and records and of the corporate seal, and shall affix the corporate seal to any lawfully executed instrument requiring it. He shall keep, at the registered or principal office of the Association, a record of Members showing the name and address of each Member. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned him from time to time by the Board of Directors.

(d) **Treasurer.** The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors. He shall keep full and accurate accounts of the finances of the Association in books especially provided for that purpose. He shall cause an annual review (or, if requested by a resolution of the Board of Directors, an audit) of the corporate books to be made by an independent certified accountant at the completion of each fiscal year and shall prepare an annual budget and a statement of income and expenditures to be presented to the Members at its regular annual meeting, delivering a copy of each to each of the Members. The Treasurer shall, in

general, perform all duties incident to his office and such other duties as may be assigned to him from time to time by the Board of Directors.

ARTICLE XI BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or his designated agent. The Declaration, the Articles and the Bylaws shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII CORPORATE SEAL

The corporate seal of the Association shall consist of a circular impressed seal containing the name of the Association around the outer area and the word "seal" in the inner area.

ARTICLE XIII AMENDMENTS

These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the majority of the Members.

ARTICLE XVI FISCAL YEAR

The fiscal year of the Association shall be from January 1 through December 31 of every year, except that the first fiscal year shall begin on the date of incorporation.

EXHIBIT A

BEING all of Lots 201 through 222, inclusive, open space, and right(s)-of-way, Lake Woodard Townhomes, containing 5.108 acres in the aggregate, as shown on plat recorded in Book of Maps 2000, Page 462, Wake County Registry.