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Prepared by: (HOLD) Senter and Stephenson
Post Office Box 446
Fuquay-Varina, NC 27526

LAURA M. RIDDICK
REGISTER OF DEEDS
WAKE COUNTY

DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
FOR
SANDY SPRINGS TOWNHOMES

Book of Maps 1997, page 1748
Wake County Registry

KNOW ALL MEN BY THESE PRESENTS that STANCIL-STEPHENSON DEVELOPERS, L.L.C., owners, developer and declarant; hereby agree with all persons, firms and corporations who hereafter acquire a lot from the above referenced subdivision (Sandy Springs Townhomes) that the Declaration of Covenants, Conditions and Restrictions recorded in Book 7727, page 661, are hereby revoked and that the following Declaration of Covenants, Conditions and Restrictions shall apply to all lots conveyed out of said subdivision and said restrictions shall run with the properties by whomever owned, which covenants are as follows:

WITNESSETH:

WHEREAS, the Declarant is the owner of certain property in Fuquay-Varina Township, Wake County, North Carolina, which is more particularly described as:

BEING all of Lots #1 through #34, inclusive, of SANDY SPRINGS TOWNHOMES, PHASE I, as shown on that map recorded in Book of Maps 1997, page 1748, Wake County Registry.

WHEREAS, Declarant will convey the said property to certain protective covenants, conditions, restrictions, liens, and charges as hereinafter set forth;

NOW, THEREFORE, the Declarant hereby declares that all of the property described above shall be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property. These easements, restrictions, covenants, and conditions shall run with the real property and shall be binding on all parties having or acquiring any right, title or interest in the described party or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE I
DEFINITIONS

Section 1. "Association" shall mean and refer to Sandy Springs Townhomes, a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Board of Directors" or "Board" means those persons elected or appointed and acting collectively as the Directors of the Association.

Section 3. "Building" shall mean and refer to a multi-unit structure containing townhomes constructed or erected on the Property.

Section 4. "Bylaws" means the bylaws of the Association as they now or hereafter exist.

Section 5. "Common area" shall mean and refer to all land within the Property owned by the Association, along with facilities and improvements erected or constructed thereon, for the exclusive use and enjoyment of the members of the Association as shown on the aforementioned recorded map and the maps of additional properties hereafter annexed as hereinafter provided. Said common area shall be maintained by the Association.

profits shall not mean or include any sums lawfully assessed against members by the Association.

Section 8. "Declarant" shall mean and refer to the Stancil Stephenson, a North Carolina Corporation, its successors and assigns to whom the rights of Declarant are expressly transferred, or if such successors or assigns should acquire more than one undeveloped lot or undeveloped acreage for the purpose of development, or acquire title to the property under a deed in lieu of foreclosure, judicial foreclosure, or foreclosure under power of sale contained in any deed of trust or one otherwise denominated a "Declarant" hereby.

Section 9. "Lot" shall mean and refer to any plot of land, other than the common area, shown on a recorded subdivision map of the Property and upon which a townhouse has been or may be constructed.

Section 10. "Member" shall mean and refer to every person who is a member of the Association.

Section 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the property, including contract sellers, but excluding those who have such interests merely as security for the performance of an obligation.

Section 12. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

Section 13. "Property" shall mean and refer to that certain real property hereinbefore described and such additions thereto as may hereafter be brought within the jurisdiction of the Association by annexation.

Section 14. "Townhome" shall mean and refer to a dwelling or place of residence constructed upon a lot within the property and constituting part of a building.

ARTICLE II ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Additional properties and improvements, including common area, may be annexed in the manner provided in this Article to the Property hereinafter described. Additional properties so annexed shall be merged with the property herein described and any other previously annexed property, and shall be subject to the provisions of this Declaration and to the Articles of Incorporation and Bylaws of the Association.

ARTICLE III PROPERTY RIGHTS

Section 1. Owners' Easements and Enjoyment. Every owner shall have a right and easement of enjoyment in and to the common area which shall be appurtenant to and shall pass with the title to every assessed lot, subject to each of the following provisions:

- (a) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the limited common area and facilities.
- (b) The right of owners to the exclusive use of assigned or designated parking spaces as provided in this Article.
- (c) The right of the Association to formulate, publish, enforce and establish penalties for the violation of the rules and regulations as provided in Article X.

Section 2. Title to Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the common areas located in Phase I as shown upon the recorded map referred to in the premises of this Declaration, to the Association, free and clear of all liens and encumbrances, at the time or prior to the conveyance of the first lot in each respective Parcel, except utility and drainage easements to governmental authorities, upon condition that such area as shall be designated "common area" shall be for the sole and exclusive use and benefit of members, so long as such area is maintained in conformity with the requirements of this Declaration, the Bylaws, and the Articles of Incorporation of the Association, at the sole expense of the owners. Similarly, the Declarant will convey to the Association, upon the same conditions and for

ARTICLE IV MEMBERSHIP

Every person who is record owner of a fee or undivided fee interest in any lot which is subject by covenants of record to assessment by the Association, including contract sellers, but excluding persons who hold an interest merely as security for the performance of any obligations, shall be a member of the Association. Ownership of such interest shall be the sole qualification for such membership; no owner shall have more than one membership in each Association and there shall be only one vote per unit in such Association. The Board of Directors may make reasonable rules regarding proof of ownership.

ARTICLE V VOTING RIGHTS

- Section 1.** Classes. The Association shall have the following two classes of voting membership:
- (a) Class A. Class A members shall be all owners, with the exception of the Declarant. Class A members shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot all such persons shall be members. The vote for such lot shall be exercised as the owners thereof determine, but in no event shall more than one vote be cast with respect to any lot, and no fractional vote may be cast with respect to any lot.
 - (b) Class B. The Class B member shall be the Declarant, and it shall be entitled to five (5) votes for each lot in which it holds a fee or undivided fee interest, provided that the Class B membership shall cease and be converted to Class A membership on the happening of the following event:

When the total votes outstanding in Class A membership equal the total votes outstanding in Class B membership; provided, however, that the Class B membership shall be reinstated with all rights, privileges, and responsibilities if, after conversion of the Class B membership to Class A membership as herein provided, additional lands are annexed to the Property by the Declarant in the manner provided in Article II of this Declaration.

ARTICLE VI COVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each lot owned within the Property, hereby covenants, and every other Owner of any lot by acceptance of a deed therefore, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association:

- (a) Annual assessments or charges;
- (b) Special assessments for capital improvements.

Such assessments shall be fixed, established, and collected from time to time as hereinafter provided.

The annual and special assessments, together with such interest thereon, costs of collection thereof, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the lot and improvements against which each such assessment is made. Each such assessment, together with such interest and costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the owner of the lot at the time the assessment fell due. The personal obligation of an owner for delinquent assessments shall not pass to his successors in title unless expressly assumed by them and then only with the consent of the Association. All assessments shall be shared equally by the owners of each lot.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for promoting the recreation, health, safety, and welfare of the residents and the Property; enforcing these covenants and the rules of the Association; improving and maintaining the Property and the townhomes situated thereon; providing the services and facilities for purposes of and related to the use and enjoyment of the common areas.

- (c) Increase by Members. From and after June 6, 1997, the annual assessment may be increased by a percentage greater than that established by the Consumer Price Index formula by an affirmative vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for such purpose, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The limitations herein set forth shall not apply to any increase in assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.
- (d) Criteria for Establishing Annual Assessment. In establishing the annual assessment for any assessment year, the Board of Directors shall consider all current costs and expenses of the Association, any accrued debts, and reserves for future needs but it may not fix the annual assessment in an amount in excess of the sums derived by application of the Consumer Price Index formula provided in Subsection (b) without the consent of members required by Subsection (c) of this Section 3.
- (e) Lots Owned by Declarant. Notwithstanding anything in this Article VI to the contrary, all lots owned by Declarant and held for sale shall not be assessed. Declarant shall contribute up to an amount equal to the actual costs of all maintenance required to fund any shortfall in operating expenses.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the costs of construction or reconstruction, unexpected repair, or replacement of a described capital improvement upon the common area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have 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, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

Section 5. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all lots, on a per lot basis, and may be collected on a monthly basis.

Section 6. Quorum for any Action Authorized Under Sections 3 and 4. At the first meeting called, as provided in Section 3 and 4 hereof, the presence at the meetings of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called subject to the notice requirement set forth in Sections 3 and 4 and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall be paid in equal monthly installments and the payment of such shall commence as to each lot on the first day of the month following the recordation of the Declaration for each Phase. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner subject thereto. The due dates shall be established by the Board of Directors. The Association, upon demand at any time, shall furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. The Association reserves the right to charge a fee for certifying the status of assessments on a specific lot. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments or portions thereof which are not paid when due shall be delinquent. If the assessment or portion thereof is not paid within thirty (30) days after the due date, the same shall bear interest from the date of delinquency at the rate of eight percent (8%) per annum or the highest penalty allowed by law. The Association may bring an action against

public authority 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 assessments created herein, except no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE VII EXTERIOR MAINTENANCE

In addition to maintenance of the common area, the Association shall provide exterior maintenance upon each lot which is subject to assessment hereunder, as follows: paint the exterior of townhomes, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks, mailboxes, exterior post lights (excluding electricity therefor), parking lots and streets, and any other such exterior improvements. Such exterior maintenance shall not include glass surfaces, screens, doors and door frames, exterior lighting fixtures and outlets attached to the units, sewer and water line repair from the "tap on " to the unit.

Any owner who fences or encloses any portion of his lot (which fence or enclosure shall require the prior approval of the Association) may plant trees, shrubs, flowers, and grass in the fenced or enclosed portion as he elects and shall maintain the fenced or enclosed portion at his own expense, provided that such maintenance does not hinder the Association in performing its maintenance duties as to the townhome, the remaining yard spaces, or the limited common area. Any fence that is approved by the Association must be installed by a subcontractor approved by the Association. No such maintenance by an owner shall reduce the assessment payable by him to the Association. If, in the opinion of the Association, any such owner fails to maintain his yard or fence in a neat and orderly manner, the Association may revoke the owner's maintenance rights for a period not to exceed one year and the Association shall perform maintenance during the revocation period, the cost of said maintenance to be charged to the owner. The owner shall not plant any vegetation in front of his townhome except with the prior written approval of the Association.

In the event that the need for maintenance or repair of a lot or the improvements thereon is caused through the willful or negligent acts of its owner or his family, tenants, contract purchasers, guests, or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, or smoke, as the foregoing are defined and explained in North Carolina standard fire and extended coverage insurance policies, the cost of such maintenance, replacement, or repairs shall be added to and become a part of the assessment to which such lot is subject.

ARTICLE VIII PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the townhomes upon the property and placed on the dividing line between the lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any owner who has used the wall may restore it, and if the other owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use, without prejudice, however, to the right of any such owner to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, an owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs with Land. The right of any owner to contribution from any other owner under this Article shall be appurtenant to the land and shall pass to such owner's successors in title.

Section 6. Easement and Right of Entry for Repair, Maintenance, and Reconstruction. Every owner

provisions of this Article, such dispute shall be settled by arbitration as provided under the laws of the State of North Carolina as they now are or are hereafter amended.

ARTICLE IX ARCHITECTURAL CONTROL

No building, fence, signs, wall, antenna, clothesline, or other structure shall be commenced, erected, or maintained upon the Property, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the said improvements or alterations shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Associations or by the Architectural Committee. In the event that the said board or its designated committee, fail to approve or disapprove such design and location within sixty (60) days after said plans and specifications have been submitted to them, approval will not be required and this Article will be deemed to have been fully complied with; provided, that the plans and specifications required to be submitted shall not be deemed to have been received if they contain erroneous data or fail to present accurate information upon which the Board or its committee can arrive at a decision.

The said Board or its committee shall have the right, at their election to enter upon any lot during construction, erection, or installation of improvements or alterations to inspect the work being undertaken in order to determine that such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

ARTICLE X USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish, establish penalties, including monetary penalties, and enforce reasonable rules and regulations concerning the use and enjoyment of the front and rear yard space, if any, of each lot and the common areas. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions, which shall be maintained in a place convenient to the owners and available to them for inspection during normal business hours.

Section 2. Use of Property. Each building, the townhomes therein, and the common area and facilities shall be for the following uses and subject to the following restrictions, and, in addition, to those set forth in the Bylaws:

- (a) All buildings and the common area and facilities shall be used for residential and related purposes. Each townhome may not be subdivided. Declarant may use one or more townhomes for offices and/or model townhomes for sales purposes.
- (b) Nothing shall be kept and no activity shall be carried on in any building or townhome or on the common area and facilities which will increase the rate of insurance, applicable to residential use, for the property or contents thereof. No owner shall do or keep anything, nor cause or allow anything to be done or kept, in his townhome or on the common area and facilities which will result in the cancellation of insurance on any portion of the property, or the contents thereof, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the common area and facilities. All garbage receptacles, containers and enclosures shall be located at the rear of the townhome.
- (c) No immoral, improper, offensive or unlawful use shall be made of the property, or any part thereof, and all valid laws, ordinances, and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations, or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the property, shall be complied with, by and at the sole expense of the owner or the Association, whichever shall have the obligation to maintain or repair such portion of the property.
- (d) Nothing shall be done in or to any townhome or in, to, or upon any of the common area and the facilities which will impair the structural integrity of any building, townhome, or portion of the common area and facilities which would impair or alter the exterior

written consent of the Association.

- (h) The common area and facilities shall be used only for the purposes for which they are intended and reasonably suited and which are incident to the use and occupancy of the townhomes, subject to any rules or regulations that may be adopted by the Association pursuant to its bylaws.

Section 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the property, nor shall anything be done which may be or may become a nuisance or annoyance to residence within the property.

Section 4. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any lot or in any dwelling except that dogs, cats, or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and provided further that they are kept in the townhome of the Owner. Further, no pens, runs, or pet houses shall be allowed on any lot or on the Common Area.

ARTICLE XI EASEMENTS

Section 1. Walks, Drives, Parking Areas, and Utilities. All of the property, including lots and common area, shall be subject to a perpetual non-exclusive easement or easements in favor of all Owners of lots for their use and the use of their immediate families, guests, invitees, tenants or lessees for all proper and normal purposes and for ingress and egress and regress and to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines, and other public utilities as shall be established prior to subjecting the property to this Declaration by the Declarant or its predecessors in title and for the use of the Owner, their families, guests and tenants; and the Association shall have the power and authority to grant and to establish in, over, upon, and across the common area conveyed to it such further easements as are requisite for the convenient use and enjoyment of the Property.

Section 2. Encroachments. All lots and the common area shall be subject to easements for the encroachment of initial improvements constructed on adjacent lots by the Declarant to the extent that such initial improvements actually encroach, including, without limitation, such items as overhanging eaves, gutters, downspouts, exterior storage rooms, bay windows, steps and walls. If any encroachment shall occur subsequent to subjecting the Property to this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and shall be a valid easement for such encroachment and for the maintenance of the same. Every lot shall be subject to an easement for entry and encroachment by the Declarant for a period not to exceed eighteen (18) months following conveyance of a lot to an owner for the purpose of correcting any problems that may arise regarding grading and drainage. The Declarant upon making entry for such purpose, shall restore the affected lot or lots to as near the original condition as practicable.

Section 3. Structural Support. Every portion of a townhome which contributes to the structural support of the building shall be burdened with an easement of structural support for the benefit of all other townhomes within the building.

Section 4. Emergencies. Every lot and townhome shall be subject to an easement for entry by the Association for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any lot or within any townhome and that endangers any building or portion of the limited common area.

ARTICLE XII RIGHTS OF INSTITUTIONAL LENDERS

Section 1. The prior written approval of each institutional holder of a first deed of trust on units in the property will be required for the following:

- (a) The abandonment or termination of the townhome property except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain;
- (b) Any material amendment to the Declaration or to the Rules of the Association

Section 4. In the event of substantial damage to or destruction of any unit or any part of the common area, the institutional holder of any first mortgage on a unit will be entitled to timely written notice of any such damage or destruction.

- (a) If any unit or portion thereof or the common area or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institution holder of any first mortgage on a unit will be entitled to timely written notice of any such proceeding or proposed acquisition.
- (b) The holder of a first mortgage on any unit shall be given prompt notice of any default by the unit mortgagor's obligation, hereunder not cured within thirty (30) days of said default.

ARTICLE XIII GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions, which shall remain in full force and effect.

Section 3. Amendment. The covenants, conditions, and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by the owners of not less than seventy-five percent (75%) of the lots, and thereafter by an instrument signed by the owners of not less than seventy-five percent (75%) of the lots. All amendments shall be certified as an official act of the Association and shall forthwith be recorded in the Wake County Registry. All amendments shall become effective upon recordation.

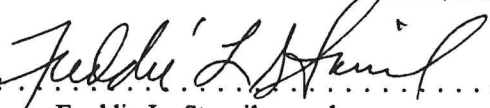
Section 4. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties, dedication of Common Area, and amendment of this Declaration of Covenants, Conditions, and Restrictions.

Section 5. Lease of Townhouse. No townhome shall be leased for transient or hotel purposes, nor may any owner lease less than the entire unit, nor shall any such lease be for any period of less than one hundred twenty days (120) days. Any lease must be in writing and provide that the terms of the lease and the occupancy of the unit shall be subject in all respects to the provisions of the Declaration of Covenants, Conditions, and Restrictions and Bylaws of the Sandy Springs Townhomes and any failure by any lessee to comply with the terms of such documents shall be a default under the lease.

Section 6. Conflicts. In the event of any irreconcilable conflict between the Declaration and the Bylaws of the Association, the provisions of this Declaration shall control. In the event of any irreconcilable conflict between this Declaration or the Bylaws of the Association and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed in their respective names by authority duly given.

STANCIL-STEPHENSON DEVELOPERS, L.L.C.

BY: 
Freddie L. Stancil, member

BY: 
Philip R. Stephenson, member

ARTICLE III

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE IV

GENERAL POWERS AND DUTIES OF THE BOARD OF THE ASSOCIATION

Section 1. Powers and Duties of the Board. The Board, for the mutual benefit of the Owners of the Association, shall have the following powers and duties:

- a. To improve, maintain or cause to be maintained the Common Area and the Landscaped Rights-of Way, including, but not limited to, planting, mowing, pruning, fertilizing, preservation and replacement of the landscaping and the upkeep and maintenance of sidewalks, signs and lighting.
- b. To enter into agreements with the appropriate governmental authorities to enable the Association to improve and maintain the Common Area and the Landscaped Rights-of-Way or portions of either thereof;
- c. To make reasonable rules and regulations for the use and operation of the Common Area, and to amend them from time to time, provided that any rule or regulation may be amended or repealed by an instrument in writing signed by the Owners of a three-fourths (3/4) majority of the total eligible votes of the membership of the Association.
- d. To enter into agreements or contracts with insurance companies with respect to insurance coverage relating to the Common Area, the Landscaped Rights-of-Way and/or the Association;
- e. To enter into agreements or contracts with utility companies with respect to utility installation, consumption and service matters relating to the Common Area, the Landscaped Rights-of-Way and/or the Association;
- f. To borrow funds to pay costs of operation of the Association, which borrowing may be secured by assignment or pledge or rights against delinquent Owners or by liens on other Association assets, if the Board sees fit;
- g. To enter into contracts, maintain one or more bank accounts, and, generally, to have all the powers necessary or incidental to the operation and management of the Association;
- i. To make available to each Owner within sixty (60) days after the end of each year an annual report and, upon the written request of the Members holding at least three-fourths (3/4) of the eligible votes of the Association at such time, to have such report audited. The audited report shall be made available to each Member within thirty (30) days after completion;
- j. To adjust the amount, collect, and use any insurance proceeds to repair damage or replace lost property; and if proceeds are insufficient to repair damage or replace lost

- property, to assess the Owners in proportionate amounts to cover the deficiency;
- k. To exercise for the Association all powers, duties and authority vested in or delegated by this Declaration, the Bylaws, or the Articles of Incorporation of the Association to the Association and not reserved to the Association and not reserved to the Members or Declarant by other provisions of this Declaration, the Bylaws or the Articles of Incorporation of the Association;
 - l. To declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;
 - m. To employ a manager or firm to manage the affairs and property of the Association, to employ independent contractors, or such other employees as the Board may deem necessary, and to prescribe their duties and to set their compensation;
 - n. To retain the services of legal and accounting firms;
 - o. To enforce the provisions of this Declaration and any rules made hereunder and to enjoin and/or, in its discretion, seek damages or other relief from any Owner for violation of such provisions or rules;
 - p. To contract with any third party or any Owner for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms hereof, such contracts to be at competitive rates and otherwise upon such terms and conditions and for such considerations the Board may deem proper, advisable and in the best interest of the Association;
 - q. To take any and all other actions and to enter into any and all other agreements as may be necessary or proper for the fulfillment of its obligations hereunder, for the operational protection of the Association or for the enforcement of the controls, covenants, conditions, restrictions and development standards contained herein; and
 - r. To set the assessments, whether quarterly, annual or special, described in this Declaration for the collection of funds to conduct the business of the association. Notice of assessments or dues, whether quarterly or annually, shall be mailed to each lot owner during the month of December of each year. The actual billing will be in January, April, July and October of each year. The initial quarterly assessment for an improved recorded lot with a house shall be \$ 180.00 and for an unimproved recorded lot without a house shall be \$ 30.00.

Section 2. Liability Limitations. Neither Declarant, nor any Member nor the Board nor any directors on the Board (or any one of them) nor the officers (if any) of declarant or the Association shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Member, whether or not such other Member was acting on behalf of the Association or otherwise. Neither Declarant, the Association, its directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof for failure to repair or maintain the same. Declarant, the Association or any other person, firm or association liable to make such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portions thereof. The Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Board and all members of the Architectural Control Committee from and against any and all loss, cost, expense, damage, liability, action or cause of action arising from or relating to the performance by the Board and such Architectural Control Committee of their duties and obligations except for any such loss, cost, expense, damage, liability, action or cause of action resulting from the gross negligence or willful misconduct of the person(s) to be indemnified.

Section 3. Reserve Funds. The Board may establish reserve funds which may be maintained and accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts in order to better demonstrate that the amounts deposited therein are capital contributions and not net income to the Association. The aggregate deposits in such reserve funds shall not exceed an amount as may be reasonable determined by the Board to be necessary.

Section 4. Board Powers. With respect to the performance of the obligations of the Association hereunder, the Board shall have the right to contract for all goods, services and insurance, and the exclusive right and obligation to perform the functions of the Board, except as otherwise provided herein.

Section 5. Owner's Obligation to Repair. Except for those portions, if any, of each Lot which the Association is required to maintain or repair hereunder, each Owner shall, at his sole cost and expense, maintain and repair his Lot and the improvements situated thereon, keeping the same in good condition and repair and in compliance with the covenants, conditions, and restrictions and development standards herein contained. In the event that any Owner shall fail to maintain and repair his Lot and/or such improvements as required hereunder, the Association, in addition to all other remedies available to it hereunder or at law or in equity, and without waiving any of such alternative remedies, shall have the right, through its agents and employees, to enter upon said Lot and to repair, maintain, and restore the Lot and the exterior of the buildings and any other improvements (including, without limitation, all improvements) erected thereon; and each Owner (by acceptance of a deed for his Lot) hereby covenants and agrees to repay to the Association the cost thereof immediately upon demand, and the failure of any such Owner to pay the same shall carry with it the same consequences as the failure to pay any assessment hereunder when due. The Association, at the cost of the Owner of the affected Lot, shall, if the Owner of such affected Lot fails to promptly (and in any event, within sixty (60) days following the date of the casualty) do so following the date of occurrence of the hereinafter described damage, cause any and all improvements situated upon a Lot which are damaged or destroyed by fire or other casualty to be repaired and/or removed so as not to present an unsightly appearance and/or unsafe condition.

ARTICLE V

AMENDMENT OF BYLAWS

Section 1. Amendment of bylaws The bylaws may be amended from time to time at any regular annual meeting if approved by 3/4ths majority of lot record owners. The Chairman or any three members of the board of directors may call a special meeting of all record lot owners provided written notice of the place, date, time and purpose of meeting is mailed to each record lot owner ten days prior to the meeting.

ARTICLE VI

DISSOLUTION OF CORPORATION

Section 1. Dissolution of corporation. In the event that the corporation is dissolved, no member, director or officer shall received any distribution of the assets and those assets remaining shall be distributed to the Town of Fuquay-Varina.