Prepared by and hold after recording for: Smith Helms Mulliss & Moore, L.L.P. (DKB)

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MASTER DECLARATION OF COVENANTS,

CONDITIONS AND RESTRICTIONS

FOR

THE GREEN AT SCOTTS MILL

WAKE COUNTY, NORTH CAROLINA

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE GREEN AT SCOTTS MILL, MADE THIS 25th day of February 2000, by **SCOTTS WOODS, LLC**, a North Carolina limited liability company, hereinafter called "Declarant."

WITNESSETH:

WHEREAS, the Declarant is the owner of the real property described in Article II, Section 1, of this Declaration and desires to create thereon a mixed-use community to be known as "The Green at Scotts Mill;"

WHEREAS, the Declarant desires to provide for the preservation of value and for the maintenance of common facilities and services and for a vehicle for the administration and enforcement of covenants and restrictions;

WHEREAS, the Declarant has caused to be incorporated under the laws of the State of North Carolina a nonprofit corporation, The Green at Scotts Mill Master Owners Association, Inc., for the purpose of exercising the functions aforesaid which are hereinafter more fully set forth;

NOW, THEREFORE, the Declarant declares that the real property described in Article II, Section 1, and such additions thereto as may hereinafter be made pursuant to Article II hereof, is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to the covenants, restrictions, conditions, easements, charges, assessments ("Assessments"), affirmative obligations and liens (all hereinafter sometimes referred to as the "Covenants") hereinafter set forth;

ARTICLE I
DEFINITIONS

The following words and terms, when used in this Declaration or any supplemental declaration (unless the context shall clearly indicate otherwise), shall have the following meanings:

(a) "Additional Property" shall mean and refer to all or any portion of the property described on Schedule A, attached hereto and incorporated herein by this reference, together with any property located adjacent to the Properties. For the purpose of determining whether property is adjacent to the Properties, the rights of way of public roads and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property.

(b) "Affiliate" shall mean any corporation more than fifty percent (50%) of the voting stock of which is owned or controlled by the Declarant or a Developer, and any partnership or joint venture in which the Declarant or a Developer has more than a fifty percent (50%) equity interest or an interest in fifty percent (50%) or more of the cash flow from such partnership or joint venture.

(c) "Applicable Registry" shall mean and refer to the Office of the Register of Deeds, Wake County, North Carolina.

(d) "Association" shall mean and refer to The Green at Scotts Mill Master Owners Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

(e) "Commercial Unit" shall mean and include any improved portion of the Properties other than a Family Dwelling Unit and shall include improvements intended and designed to accommodate public, commercial, governmental or business enterprises such as business and professional offices, facilities for the retail sale of goods and services, banks and other financial institutions, social clubs, restaurants, hotels, motels, inns, nursing homes, assisted living facilities, theaters and indoor and outdoor recreational facilities; and shall include those portions of any mixed-use development intended and designed for such purposes; provided, however, that a "Commercial Unit" shall not include any property which also qualifies as "Exempt Property" as herein defined. A parcel of land shall not be deemed to be improved until the improvements being constructed on said parcel are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Executive Board, as improved properties.

(f) "Common Elements" shall mean and collectively refer to all General Common Elements and all Limited Common Elements.

(g) "Declarant" shall mean and refer to **SCOTTS WOODS, LLC**, and its successors and assigns, if Declarant shall make an express conveyance of its rights as Declarant hereunder to such successor or assign, all of which rights, including Declarant's voting, annexation and architectural control rights, are assignable and may be apportioned.

(h) "Declarant's Development Period" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Applicable Registry, and continuing until the earlier of: (i) ten (10) years from the date this Declaration is recorded in the Applicable Registry; or (ii) such time as Declarant shall cease to own any of the property shown on the Master Plan.

(i) "Developer" shall mean any Owner of any Development Parcel identified as a Developer with respect to such property in a Deed or other instrument executed by Declarant and recorded in the Applicable Registry.

(j) "Development Parcel" shall mean and refer to any unimproved parcel or tract of land within the Properties other than a Residential Lot; provided, however, that a "Development Parcel" shall not include any property which also qualifies as Exempt Property. A Development Parcel, or portion thereof, shall remain classified as such until subdivided and classifiable as a Residential Lot or Lots, or improved and classifiable as a Commercial Unit or a Family Dwelling Unit pursuant to Article V, Section 5.

(k) "Exempt Property" shall mean and refer to the following classifications of property within the Properties which, for the purposes of this Declaration, shall not be deemed "Development Parcels" or "Commercial Units" and shall be expressly excepted from the definitions thereof:

(1) All land designated on the Master Plan as intended for use for, or if applicable, actually used for (i) indoor and outdoor recreational and community facilities owned and operated by any Secondary Association if such Secondary Association operates such facilities for the private use of its members or the Members of the Association, including, but not limited to, tennis courts, basketball courts, swimming pools, and any showers, locker rooms or other club facilities associated with such uses, putting greens, playgrounds, ball fields, gazebos, picnic shelters, picnic tables, parks, walking trails, bike trails, boardwalks, decks, wildlife conservancies and feeding stations, nature interpretive areas, community meeting facilities, and all rest room facilities, parking lots, service buildings and concession-type food services associated with all such uses; and (ii) libraries, fire stations and rescue squads, post offices, public recreation or community centers, museums and other similar community facilities which the Executive Board, in its sole and uncontrolled discretion, may designate as Exempt Property;

(2) All Common Elements; and

(3) All lands designated on recorded plats or the Master Plan as property dedicated or to be dedicated to the Town of Apex as public right of way, open space or greenway.

(l) "Extraordinary Action" and "Extraordinary Actions" shall mean and refer to any one or more of the following actions taken by or on behalf of the Association:

(1) merging or consolidating the Association;

(2) determining not to require professional management if that management has been required by the Association documents, a majority of eligible mortgagees or a majority vote of the Members;

(3) expanding the Association to include land not previously specifically described on Schedule A hereto which increases the overall land area of the project or the total number of Family Dwelling Units and Residential Lots by more than 10 percent;

(4) abandoning, partitioning, encumbering, mortgaging, conveying selling or otherwise transferring or relocating the boundaries of Common Elements (except for (i) granting easements which are not inconsistent with or which do not interfere with the intended use of the Common Elements; (ii) dedicating Common Elements as required by a public authority; or (iii) limited boundary-line adjustments made in accordance with the provisions of this Declaration);

(5) using insurance proceeds for purposes other than construction or repair of the insured improvements; or

(6) making capital expenditures (other than for repair or replacement of existing improvements) during any period of 12 consecutive months costing more than 20 percent of the annual operating budget.)

(m) "Family Dwelling Unit" shall mean and refer to each single-family detached or attached dwelling, patio (zero lot line) home, condominium unit, townhouse unit, cooperative apartment unit, apartment unit or any other improved portion of the Properties intended for single-family residential purposes together with the land on which such improvements and related facilities are located, and shall include any property formerly classified a Residential Lot for which a building permit has been issued by the appropriate governmental authorities.

(n) "General Common Elements" shall mean and refer to those portions of the Properties together with any improvements thereon, which are owned by the Association (whether owned in fee or as an easement) or leased and designated in said deed or lease as "General Common Elements" in accordance with the provisions of Article II, Section 3 hereof. The term "General Common Elements" shall also include any personal property acquired or leased by the Association if said property is designated "General Common Elements." All General Common Elements are to be devoted to and intended for the common use and enjoyment of all of the Members of the Association, their guests and visiting members of the general public (to the extent permitted by the Executive Board of the Association) subject to the limitations set forth in Article IV. General Common Elements shall not include those tracts of land falling within the definition of "Limited Common Elements" set forth below.

(o) "Improvements" shall mean and refer to any building or other improvement which may affect the appearance of the Properties, including, but not limited to, any building, garage, driveway, wall, fence, parking area, antenna, curbing, paving, landscaping, irrigation system, tree (including trees indigenous to the site), hedge, signage, or any temporary trailer. "Improvements" also means (i) any excavation, fill, ditch, diversion, lake, pond, dam, berm, or anything or device that alters or crosses the natural flow or any water in any natural or artificial drainage channel from, or upon, any portion of the Properties of more than six (6) inches from that existing at the time of purchase by an Owner, and (iii) any slope or embankment adjacent to or bordering on any public or private roadway.

(p) "Limited Common Elements" shall mean and refer to those portions of the Properties together with any improvements thereon, which are owned by the Association (whether owned in fee or as an easement) or leased and designated in said deed or lease as "Limited Common Elements" in accordance with the provisions of Article II, Section 3 hereof. The term "Limited Common Elements" shall also include any personal property acquired or leased by the Association if said property is designated "Limited Common Elements." All Limited Common Elements are to be devoted to and intended for the exclusive use and enjoyment of one or more but fewer than all of the Members of the Association, their guests and visiting members of the general public (to the extent permitted by the Executive Board of the Association) subject to the limitations set forth in Article IV. Limited Common Elements shall not include those tracts of land falling within the definition of "General Limited Common Elements" set forth below.

(q) "Period of Declarant Control" shall mean and refer to any period of time during which there exists a Class D Membership pursuant to the provisions of Article III, Section 2 of this Declaration.

(r) "Master Plan" shall mean and refer to the map or diagram prepared by Declarant reflecting the existing development of the Properties and Declarant's concept for the future development of the Properties and the Additional Property as a part of The Green at Scotts Mill. Since the concept of the future development of The Green at Scotts Mill is subject to continuing revision and change by the Declarant, present and future references to the "Master Plan" shall be references to the latest revision thereof. Accordingly, Declarant reserves the right to review and modify the Master Plan in its sole discretion from time to time. The Master Plan shall not bind the Declarant, its successors and assigns, to adhere to the Master Plan in the development or use of the land shown thereon. Declarant shall not be required to follow any predetermined sequence or order of development. The Declarant shall have full power to add to, subtract from or make changes in the Master Plan regardless of the fact that such actions may later affect the relative maximum potential voting strength of the various types of Membership of the Association.

(s) "Material Amendment" or "Material Amendments" shall mean any amendment or amendments to this Declaration or the Articles of Incorporation or the Bylaws of the Association adding, deleting or modifying any provision regarding any of the following

(1) Assessment basis or assessment liens;

(2) Any method of imposing or determining any charges to be levied against individual unit owners;

(3) Reserves for maintenance, repair or replacement of Common Elements improvements;

(4) Maintenance obligations;

(5) Allocation of rights to use Common Elements;

(6) Any scheme of regulation or enforcement of standards for maintenance, architectural design or exterior appearance of improvements on Tracts;

(7) Reduction of insurance requirements;

(8) Restoration or repair of Common Elements improvements;

(9) The addition, annexation or withdrawal of land to or from the project, except for the annexation of all or any portion of the Additional Property as permitted pursuant to Article II, Section 2(a);

(10) Voting Rights;

(11) Restrictions affecting leasing or sale of a unit; or

(12) Any provision which is for the express benefit of mortgagees.

(t) "Member" shall mean and refer to all those Owners who are Members of the Association as defined in Section 1 of Article III.

(u) "Membership Vote" shall mean and refer to the action, consent or approval of the Association, its Membership, or a specified portion of its Members, obtained pursuant to a vote of the Members, or if applicable, a specified portion of the Members, voting, in person or by proxy, at a meeting duly called for such purpose and at which a quorum is present. The action, consent or approval voted upon will be deemed to have been authorized if at least fifty-one percent (51%) of the votes of the Members, or if applicable, specified portion of the Members voting at such meeting, in person or by proxy, are cast in favor of such action, consent or approval; provided, however, that if a higher percentage required to "pass" shall be specifically expressed herein, that higher percentage shall control in that instance, and provided further that if such action, consent or approval voted upon shall also require the consent of Declarant, Institutional Lenders, the VA or the FHA, the consent or action voted upon shall not be deemed to have been authorized by the Members until such further consents and approvals are obtained.

(v) "Neighborhood Areas" shall mean and refer to areas in The Green at Scotts Mill designated by Declarant as a Neighborhood Area by the recording of additional covenants or other appropriate instrument in the Applicable Registry.

(w) "Owner" shall mean and refer to the Owner as shown by the Real Estate Records in the Applicable Registry, whether it be one (1) or more persons, firms, associations, corporations or other legal entities of fee simple title to any Tract but, notwithstanding any applicable theory of a deed of trust, shall not mean or refer to the mortgages or holder of a deed of trust, its successors or assigns, unless and pursuant to foreclosure or a proceeding or deed in lieu of foreclosure; nor shall the term "Owner" mean or refer to any lessee or Tenant of an Owner. In the event that there is recorded in the Applicable Registry, a long-term contract of sale covering any Tract, the Owner of such Tract shall be the purchaser under said contract and not the fee simple title holder. A long-term contract of sale shall be one where the purchaser is required to make payments for the property for a period exceeding nine (9) months from the date of the contract and where the purchaser does not receive title to the property until all such payments are made, although the purchaser is given the use of said property.

(x) The "Properties" or the "The Green at Scotts Mill" shall mean and refer to the Existing Property described in Article II, Section 1 hereof, and such additions thereto as are subjected to this Declaration pursuant to the provisions of Article II hereof.

(y) "Referendum" shall mean and refer to the power of all of, or if applicable, some specific portion of, the Members to vote on any consent or action of the Association or its Members, except as maybe herein specifically prohibited, by ballots mailed or otherwise returned to the Association, after written notice of the proposed consent or action is provided to all of, or the applicable portion of, the Members. In the event the Members entitled to cast at least fifty-one percent (51%) of the votes of all of, or if applicable, some specific portion of, the Members of the Association are returned to the Association consenting to or approving any proposed action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members; provided, however, that if a higher percentage required to "pass" shall be specifically expressed herein, that higher percentage shall control in that instance, and provided further that if such action voted upon shall also require the consent of Declarant, Institutional Lender, the VA or the FHA, the Referendum shall not be deemed to "pass" and the action voted upon shall not be deemed to have been authorized by the Members until such further consents and approvals are obtained.

(z) "Resident" shall mean and refer to each Owner and Tenant of a Family Dwelling Unit and such Owner's or Tenants' spouse, parent and children who reside in The Green at Scotts Mill.

(aa) "Residential Lot" shall mean any subdivided parcel of land located within the Properties for which no building permit has been issued by the appropriate governmental authorities and which parcel is intended for use as a site for a single family detached dwelling or patio (zero lot line) home as shown upon any recorded final subdivision map of any part of the Properties. No parcel shall, however, be classified as a Residential Lot until the first day of the first quarter of the year after the Recording of a Plat in the Applicable Registry showing such Residential Lot.

(bb) "Secondary Association" shall mean and refer to any property owners association, including, without limitation any condominium association, formed pursuant to covenants of record for the purpose of providing for the administration of one or more, but less than all Tracts and any related property to be maintained for the benefit of the Owners of the Tracts subject to such covenants of record.

(cc) "Tenant" shall mean and refer to the lessee under a written agreement for the rent and hire of a Family Dwelling Unit or Commercial Unit in The Green at Scotts Mill.

(dd) "Tract" or "Tracts" shall mean and refer to one or more of the Residential Lots, Family Dwelling Units, Commercial Units or Development Parcels that comprise the Properties.

ARTICLE II
EXISTING PROPERTY AND ADDITIONS

Section 1. Existing Properties. The real property which is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to these Covenants is described as follows:

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All of the land shown on the map entitled "The Green at Scotts Mill" recorded in Map Book 2000, Pages 294 and 295, and re-recorded in Map Book 2000, Pages ~~336~~ 326 and ~~337~~ 327 in the Applicable Registry, save and except any rights of way or other property thereby dedicated to the public.

Section 2. Additions to the Properties. Additional lands may become subject to this Declaration in the following manner:

(a) Additions. For a period of ten (10) years from the date this Declaration is recorded in the Applicable Registry, the Declarant, its successors and assigns shall have the right, but not the obligation, to bring within the plan and operation of this Declaration all or any portion of the Additional Property with only the consent of the Owner thereof if not then owned by Declarant; provided, however, the addition of any property by Declarant not specifically described on Schedule A pursuant to this Subsection (a) is limited to the addition of property which does not result in an increase of more than ten percent (10%) of the total size of the planned development (consisting of the Properties and the property specifically described on Schedule A), both in land size or number of planned Family Dwelling Units or Commercial Units. Such property may be subjected to this Declaration as one parcel or as several smaller parcels at different times and in any order Declarant, in its sole discretion, may choose. The Declarant shall not be required to follow any predetermined sequence or order of improvements and development, and it may bring within the plan of this Declaration additional lands and develop the same before completing the development of other portions of the Properties.

The additions authorized under this and the succeeding subsection shall be made by recording a Supplemental Declaration with respect to the additional property which shall extend the operation and effect of the Covenants of this Declaration to such additional property. The Supplemental Declaration may contain such complementary additions and/or modifications of the Covenants contained in this Declaration as may be necessary or convenient, in the sole judgment of the Declarant, to reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, provided, however, such modifications shall have no effect upon the properties previously subjected hereto, and provided further that the basis of voting rights and assessment obligations of the Tracts added shall be substantially the same as the basis of the voting rights and assessment obligations of the Tracts hereby subjected to this Declaration.

(b) Other Additions. Upon approval of the Members of the Association pursuant to a Membership Vote or Referendum of the Members to which at least sixty-seven percent (67%) of the votes of the Association are allocated, such vote to include at least fifty-one percent (51%) of the votes of all Members other than the Declarant present, in person or by proxy, and voting at a meeting called for such purpose, or if by Referendum, such consent to include at least fifty-one percent (51%) of the total authorized votes of all Members of the Association other than Declarant, the owner of any property who desires to add such property to the plan and operation of this Declaration and to subject it to the jurisdiction of the Association shall record a Supplemental Declaration with respect to the additional property which shall extend the operation and effect of the Covenants of this Declaration to such additional property; provided, however, during Declarant's Development Period the addition of property pursuant to this Subsection (b) shall also require Declarant's consent.

The Supplemental Declaration may contain such complementary additions and/or modifications of the Covenants contained in this Declaration as may be agreed to by the Members approving the addition of such property and by Declarant, during Declarant's Development Period, but such modifications shall have no effect upon the Existing Property described in Article II, Section 1 above, or upon any other additions to the Properties.

(c) Additional lands which become subject to this Declaration under the provisions of this Section II may in the future be referred to as a part of The Green at Scotts Mill. Also, the name "Scotts Mill" may be used by the Declarant to refer to other nearby properties not subject to this Declaration.

Section 3. Designation of General Common Elements and Limited Common Elements.

The General Common Elements currently designated by Declarant and hereafter to be conveyed to the Association are described as follows:

That certain 0.177 acre tract of land designated "Private PARK Common Elements" on the map entitled "The Green at Scotts Mill" recorded in Map Book 2000, Pages 294 and 295, and re-recorded in Map Book 2000, Pages 336 and 337, in the Applicable Registry.

The Limited Common Elements currently designated by Declarant and the Tracts to which such Limited Common Elements are allocated are described as follows:

That certain 0.171 acre tract of land designated "PRESERVATION LANE, 20' Private R/W, Ltd. Common Elements" on the map entitled "The Green at Scotts Mill" recorded in Map Book 2000, Pages 294 and 295, and re-recorded in Map Book 2000, Pages 336 and 337, in the Applicable Registry, which Common Elements shall be allocated to Lots 20 through 32, inclusive, as shown on said map.

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed from time to time additional portions of the Properties to the Association, including portions of any Additional Property annexed by Declarant pursuant to Article II, Section 2 hereof and to designate such property, in the sole discretion of Declarant, as General Common Elements or Limited Common Elements. Any designation of Limited Common Elements shall specifically identify those portions of the Properties to which use of such Limited Common Elements is reserved. Any conveyance of property to the Association not designated General Common Elements or Limited Common Elements shall be deemed General Common Elements. The Association shall accept any such conveyance of Common Elements and thereafter such additional Common Elements and all improvements located thereon shall be held and maintained by the Association as General Common Elements or Limited Common Elements, as designated by Declarant. The Common Elements shall be conveyed to the Association subject to all restrictive covenants, limitations or conditions of record at the time of conveyance. Improvements, which may include, but shall not be limited to, retention or detention ponds, rip rap or other drainage or erosion control devices, signage, entranceways, landscaping, irrigation systems, indoor and outdoor community facilities thereon, including, but not limited to gazebos, picnic shelters, picnic tables, parks, walking trails, bike trails, boardwalks, decks, wildlife conservancies and feeding stations, nature interpretive areas, community theater and/or meeting facilities, and all rest room facilities, parking lots, service buildings and other facilities associated with all such uses may be located, in the sole discretion of the Declarant, on any portion of the Common Elements. The provisions of this paragraph shall in no way create any obligation on the part of the Declarant to construct any such facilities on the Common Elements. The Association shall not refuse to accept any General Common Elements or Limited Common Elements at such time as the Declarant, in its sole discretion, deems it advisable to convey such property to the Association. Declarant, during Declarant's Development Period, also shall have the right, but not the obligation, to locate improvements on any portion of the General Common Elements or Limited Common Elements following the conveyance of such property to the Association. Any such improvements thereafter shall be held and maintained by the Association as Common Elements. Except as otherwise provided in Section 47F-3-113 of the Planned Community Act, the Association shall be required to promptly repair and replace any portion of the Common Elements for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association which is damaged or destroyed.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every Owner shall be a Member of the Association.

Section 2. Voting Rights. The Association shall have four (4) classes of regular voting Membership:

CLASS A: Class A Members shall be all Owners of Residential Lots and Family Dwelling Units, except for Declarant during any Period of Declarant Control. Class A Members shall be entitled to one (1) vote for each Residential Lot and Family Dwelling Unit owned.

CLASS B: Class B Members shall be all Owners of Commercial Units, except for Declarant during any Period of Declarant Control. The vote or votes to which each Class B Member shall be entitled shall be equal to the quotient, rounded to the nearest whole number, determined by dividing the total amount of Annual Assessments levied by the Association against such Commercial Unit for the then current calendar year by the amount of Annual Assessments levied by the Association against any one (1) Residential Lot or Single Family Residence for the then current calendar year.

CLASS C: Class C Members shall be all those Owners of Development Parcels, except for Declarant during any Period of Declarant Control. The vote or votes to which each Class C Member shall be entitled shall be equal to the quotient, rounded to the nearest whole number, determined by dividing the total amount of Annual Assessments levied by the Association against such Development Parcel for the then current year by the amount of Annual Assessments levied by the Association for the then current year against any one (1) Residential Lot or Family Dwelling Unit.

CLASS D: Declarant shall be the Class D Member and Declarant shall be entitled to the following votes:

(1) three (3) votes for each Residential Lot and each Family Dwelling Unit shown on the Master Plan which has not been conveyed by Declarant to a Class A Member; and

(2) for each Commercial Unit shown on the Master Plan which has not been conveyed by Declarant to a Class B Member, three (3) times the quotient, rounded to the nearest whole number, determined by dividing the total amount of Annual Assessments levied by the Association against that Commercial Unit for the then current calendar year by the amount of Annual Assessments levied by the Association against any one (1) Residential Lot or Family Dwelling Unit; and

(3) for each Development Parcel shown on the Master Plan which has not been conveyed by Declarant to a Class C or D Member, the greater of:

(a) three (3) times the quotient, rounded to the nearest whole number, determined by dividing the minimum amount of Annual Assessments for Development Parcels from time to time established pursuant to the provisions of Article V, Section 4, by the amount of Annual Assessments levied by the Association against any one (1) Residential Lot or Family Dwelling Unit; or

(b) three (3) times the quotient, rounded to the nearest whole number, determined by dividing the product of the acreage of such parcel and the "Development Quotient," as defined in Article V, Section 4, by the amount of Annual Assessments levied by the Association against any one (1) Residential Lot or Family Dwelling Unit.

The Class D Membership shall cease and be converted to the Class A, B or C Membership, as applicable, on the happening of either of the following events, whichever occurs earlier:

(1) when the total votes outstanding in the Class A, B and C Memberships equal or exceed the total votes outstanding in the Class D Membership; however, the Class D Membership shall be reinstated if thereafter, and before the time stated in subparagraph (b) below, the Master Plan is amended to add additional Tracts sufficient to give the Class D Membership a total number of votes (with the Class D Membership entitled to weighted votes described above for all Tracts owned by Declarant) which exceed those of the Class A, B and C Memberships; or,

(2) ten (10) years from the date this Declaration is recorded in the Applicable Registry.

Payment of Special Assessments shall not entitle the Members of any class to additional votes. If only one of multiple Owners of a Tract are present at a meeting of the Association, the Owner who is present is entitled to cast all the votes allocated to that Tract. If more than one of the multiple Owners are present, the votes allocated to that Tract may be cast only in accordance with the agreement of a majority in interest of the multiple Owners. Majority agreement is conclusively presumed if any one of the multiple Owners casts the votes allocated to that Tract without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Tract. The principles of this paragraph shall apply, insofar as possible, to Referendums, to execution of proxies, waivers, consents or objections, and for the purpose of ascertaining the presence of a quorum.

Section 3. Governance. The Association shall be governed by a Executive Board consisting of three (3), five (5), seven (7) or nine (9) Members. The number and term of such Directors is to be determined in accordance with the provisions of the Articles of Incorporation of the Association.

Section 4. Declarant's Right to Select the Members of the Executive Board of the Association During Any Period of Declarant Control. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Executive Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant need not be an Owner or a Resident of the Properties. Except as otherwise provided in the Bylaws with respect to the filling of vacancies, any members of the Executive Board which Declarant is not entitled to designate or select shall be elected by the Members of the Association.

Section 5. Notice Required for Any Action Authorized at Regular or Special Meetings of the Association. The notice required for any action authorized at a regular or special meeting of the Association shall be as follows: (i) written notice of any meeting of the Members of the Association called for the purposes of considering any Material Amendment to this Declaration or any Extraordinary Action of the Association shall be given at least 25 days but not more than 60 days in advance to all Members and at least 15 days but not more than 60 days advance notice is required in the case of a meeting for other purposes; (ii) any such notice shall state the purpose of the meeting and contain a summary of the proposed action, amendment consent or approval to be voted on; and (iii) each such notice shall contain a copy of the proxy that can be cast in lieu of attendance at the meeting. Any notice required to be sent to any Member under the provisions of this Declaration shall be deemed to have been properly sent and notice thereby given when delivered personally or sent by mail with the proper postage affixed to the address appearing on the Association's Membership list. Notice to one (1) or two (2) or more co-owners or co-tenants of a Tract shall constitute notice to all co-owners. It shall be the obligation of every member to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes a Member following the first day in the calendar month in which said notice is delivered or mailed shall be deemed to have been given notice if notice was given to his predecessor in title.

Section 6. Quorum Required for Any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any Membership Vote (as distinguished from a Referendum) shall be as follows:

(a) The first time a meeting of the Members of the Association is called to vote the presence at the meeting of Members, in person or by proxy, entitled to cast at least thirty percent

(30%) of the total vote of the Membership entitled to vote on the proposed action shall constitute a quorum.

(b) If the required quorum is not present at any meeting described in subparagraph (a) above, with the exception of any meeting called to vote on the termination of this Declaration, any Material Amendment or any Extraordinary Action, another meeting or meetings may be called subject to the giving of proper notice, and the required quorum at such subsequent meeting or meetings shall be one-half (½) of the required quorum at the preceding meeting.

Unless otherwise provided, any reference herein to "votes cast at a duly called meeting" shall be construed to be subject to the notice requirements established by Article III, Section 5 above and the quorum requirements established by this Article III, Section 6, and any other requirements for such "duly called meeting" which may be established by the By-Laws of the Association.

Section 7. Proxies. All Members of the Association may vote and transact business at any meeting of the Association by proxy authorized in writing, provided, however, that Proxies shall not be required for any action which is subject to a Referendum, in which case the votes of all the Members polled shall be made by specifically provided ballots mailed or otherwise delivered to the Association.

ARTICLE IV
PROPERTY RIGHTS IN THE COMMON ELEMENTS:

Section 1. Members' Easements of Enjoyment in General Common Elements. Every Owner shall have a right and easement of enjoyment in and to the General Common Elements which shall be appurtenant to and shall pass with the title to every Tract. Each Owner also shall have a non-exclusive easement for egress and ingress over the General Common Elements to the extent necessary to provide access to a Tract for utilities serving that Tract. The right of access for necessary ingress and egress to the Tract and utility services cannot be suspended by the Executive Board of the Association for violation of this Declaration or non-payment of assessments. The foregoing easement rights are subject to the following limitations:

(a) easements, conditions and restrictions of record encumbering the General Common Elements at the time of conveyance to the Association and the easements herein reserved by Declarant or created in favor of Declarant or the Association, including, without limitation the easements set forth in Article VI hereof;

(b) the right of the Association to permit the use of and to charge reasonable admission and other fees for special or extraordinary uses of the General Common Elements;

(c) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, to suspend the right of any Member, and the rights of such Member's household, tenants, guests and invitees to use recreational facilities or other General Common Elements (to the extent that access and utility service are not impaired) for any violation of the covenants, conditions or restrictions contained in this Declaration or for violation of any rule or regulation promulgated by the Association in accordance with this Declaration, such suspension to extend for a period not to exceed 60 days, unless such rights are suspended for failure to pay Assessments, in which case such rights may be suspended until the Assessments are fully paid;

(d) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, to dedicate or transfer non-exclusive easements on, over and upon all or any part of the General Common Elements which are not inconsistent with or do not interfere with the intended use of the General Common Elements and otherwise for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded;

(e) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act and with the written consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Members of the Association, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant, to dedicate or transfer fee title to all or any part of the General Common Elements for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Tracts or any remaining General Common Elements or cause any Tract or any remaining General Common Elements to fail to comply with applicable laws, regulations or ordinances;

(f) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, to impose rules and regulations for the use and enjoyment of the General Common Elements and improvements thereon, which regulations may further restrict the use of the General Common Elements, and specifically including the right to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties, which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicles's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Tract to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

(g) the right of the Association, with the written consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Members of the Association, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant, to mortgage, pledge, deed in trust, or hypothecate any or all of the General Common Elements as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Tracts or any remaining General Common Elements or cause any Tract or any remaining General Common Elements to fail to comply with applicable laws, regulations or ordinances; and further provided that a lender's rights, in the event of default upon any mortgage or deed of trust on the General Common Elements, are limited to, after taking possession of such General Common Elements, charging reasonable admission and other fees as a condition of continued enjoyment by members, and, if necessary, to a wider range of users and upon satisfaction of the mortgage or deed of trust, such General Common Elements are returned to the Association with full restoration of Member's rights; and

(h) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, consistent with applicable zoning and subdivision ordinances, to convey portions of the General Common Elements for the purpose of adjusting boundary lines in order to correct unintentional conveyances of General Common Elements, eliminate unintentional encroachments of dwellings or other improvements onto portions of the General Common Elements or exchange portions of the General Common Elements for other portions of the Properties; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Tracts or any remaining General Common Elements or cause any Tract or any remaining General Common Elements to fail to comply with applicable laws, regulations or ordinances; and provided further that no such conveyance shall reduce total open space area below applicable zoning requirements, materially affect development plans on file with FHA or VA, if FHA or VA insured loans have been obtained secured by Tracts, and all Tracts previously adjacent to the General Common Elements remain so located, unless the Owners of the Tracts approve the transfer.

Residents and Tenants shall have the same easement of enjoyment hereunder as a Member.

As determined in the sole and uncontrolled discretion of the Executive Board, certain Owners of Exempt Property, and certain guests of an Owner, Member, Tenant or Resident, may have access to and enjoyment of certain General Common Elements subject to rules and regulations and user fees established by the Executive Board.

Section 2. Members' Easements of Enjoyment in Limited Common Elements. Each Owner of a Tract to which a Limited Common Element is allocated shall have a right and easement of enjoyment in and to such Limited Common Element which shall be appurtenant to and shall pass with the title to such Tract. Each Owner also shall have a non-exclusive easement for egress and ingress over the Limited Common Elements allocated to such Owner's Tract to the extent necessary to provide access to a Tract for utilities serving that Tract. The right of access for necessary ingress and egress to the Tract and utility services cannot be suspended by the Executive Board of the Association for violation of this Declaration or non-payment of assessments. The foregoing easement rights are subject to the following limitations:

(a) easements, conditions and restrictions of record encumbering the Limited Common Elements at the time of conveyance to the Association and the easements herein reserved by Declarant or created in favor of Declarant or the Association, including, without limitation the easements set forth in Article VI hereof;

(b) the right of the Association to permit the use of and to charge reasonable admission and other fees for special or extraordinary uses of the Limited Common Elements;

(c) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, to suspend the right of any Member, and the rights of such Member's household, tenants, guests and invitees to use recreational facilities or other Limited Common Elements (to the extent that access and utility service are not impaired) for any violation of the covenants, conditions or restrictions contained in this Declaration or for violation of any rule or regulation promulgated by the Association in accordance with this Declaration, such suspension to extend for a period not to exceed 60 days, unless such rights are suspended for failure to pay Assessments, in which case such rights may be suspended until the Assessments are fully paid;

(d) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Limited Common Elements which are not inconsistent with or do not interfere with the intended use of the Limited Common Elements and otherwise for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded;

(e) the right of the Association to dedicate or transfer fee title to all or any part of the Limited Common Elements for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer, such dedication or transfer to be made pursuant to Section 47F-3-112 of the Planned Community Act and with the written consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Members of the Association, such consents to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant and one hundred percent (100%) of the Members to which such Limited Common Elements are allocated; provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Tracts or any remaining Limited Common Elements or cause any Tract or any remaining Limited Common Elements to fail to comply with applicable laws, regulations or ordinances;

(f) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, to impose rules and regulations for the use and enjoyment of the Limited Common Elements and improvements thereon, which regulations may further restrict the use of the Limited Common Elements, and specifically including the right to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties, which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicles's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Tract to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

(g) the right of the Association, with the written consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Members of the Association, such consents to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant and one hundred percent (100%) of the Members to which such Limited Common Elements are allocated, to mortgage, pledge, deed in trust, or hypothecate any or all of the Limited Common Elements as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Tracts or any remaining Limited Common Elements or cause any Tract or any remaining Limited Common Elements to fail to comply with applicable laws, regulations or ordinances; and further provided that a lender's rights, in the event of default upon any mortgage or deed of trust on the Limited Common Elements, are limited to, after taking possession of such Limited Common Elements, charging reasonable admission and other fees as a condition of continued enjoyment by members, and, if necessary, to a wider range of users and upon satisfaction of the mortgage or deed of trust, such Limited Common Elements are returned to the Association with full restoration of Member's rights; and

(h) the right of the Association, acting through the Executive Board without Member, mortgagee or agency approvals, consistent with applicable zoning and subdivision ordinances, to convey portions of the Limited Common Elements for the purpose of adjusting boundary lines in order to correct unintentional conveyances of Limited Common Elements, eliminate unintentional encroachments of dwellings or other improvements onto portions of the Limited Common Elements or exchange portions of the Limited Common Elements for other portions of the Properties; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Tracts or any remaining Limited Common Elements or cause any Tract or any remaining Limited Common Elements to fail to comply with applicable laws, regulations or ordinances; and provided further that no such conveyance shall reduce total open space area below applicable zoning requirements, materially affect development plans on file with FHA or VA, if FHA or VA insured loans have been obtained secured by Tracts, and all Tracts previously adjacent to the Limited Common Elements remain so located, unless the Owners of the Tracts approve the transfer.

Residents and Tenants shall have the same easement of enjoyment hereunder as a Member.

As determined in the sole and uncontrolled discretion of the Executive Board, certain Owners of Exempt Property, and certain guests of an Owner, Member, Tenant or Resident, may have access to and enjoyment of certain Limited Common Elements subject to rules and regulations and user fees established by the Executive Board.

Subject to the provisions of these covenants, the rules and regulations of the Association, and any fees or charges established by the Association, every Owner of every Tract to which a Limited Common Element has been allocated shall have a right and easement of enjoyment in and to such Limited Common Elements and such easement shall be appurtenant to and shall pass with the title to such property. Limited Common Elements may be converted to General Common Elements if such conversion is approved by an affirmative Membership Vote or Referendum of the Members entitled to cast at least sixty-seven percent (67%) of the votes of the Association, such vote to include the affirmative vote of the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant and the affirmative vote of the Members entitled to cast at least sixty-seven percent (67%) of the votes of the Members to which such Limited Common Elements are allocated, voting, in person or by proxy, at a meeting duly called for such purpose, or if by Referendum, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized vote of the Members other than Declarant and the consent of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Members to which such Limited Common Elements are allocated.

Section 3. Right of Declarant and Members to Exclusive Use of the Common Elements.

During Declarant's Development Period, Declarant shall have the right to require the exclusive (or, at the discretion of Declarant, non-exclusive) use of all or certain portions of the General Common Elements for events promoting the sale of property in The Green at Scotts Mill for a period not to exceed twenty-four (24) hours. Declarant shall post notice in a prominent location of any such exclusive promotional event at least twenty-four hours prior to the event.

Pursuant to rules and regulations from time to time promulgated by the Association, upon request and after such notice as the rules and regulations may require, the Association, in the sole discretion of the Association's Executive Board or its designee, may allow a Member of the Association exclusive use of all or certain portions of the General Common Elements or any Limited Common Element allocated to such Member's Tract for private events for a period not to exceed twenty-four (24) hours. Such rules and regulations may require that fees and/or deposits be paid to the Association in connection with such exclusive private use. The Association may condition such exclusive use of the Common Elements by a Member or Member(s) other than Declarant on that Member's agreement that any damage to the Common Elements or any improvements located thereon during any such private event and any liability incurred by the Association as a result thereof not covered by insurance maintained by the Association (including any deductible) shall be the personal obligation of the Member or Members (joint and several) reserving the Common Elements and if not paid within thirty (30) days of written demand therefor such amounts owing shall be a lien upon the Tract or Tracts of such Member or Members in accordance with the provisions of this Declaration for the payment and collection of Annual Assessments.

In no event shall the exclusive use of Declarant or any Member of any portion of the Common Elements interfere with or obstruct the right of access for necessary ingress and egress or utility services to any Tract obtained through the Common Elements.

Section 3. Easements. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. In addition, Declarant reserves, for itself and the Association, additional easements and rights-or-way for the installation and maintenance of utilities (including cable television service) and drainage facilities over the Common Elements. Within these easements no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of the appropriate governmental entity (and any other person or firm providing services to the Properties under agreement with or at the direction of the Association) over all Common Elements as may be reasonably necessary for the setting, removal and reading of water meters, and the maintenance and replacement of water, sewer and drainage facilities and for the fighting of fires and collection of garbage. Declarant hereby grants, gives and conveys to the Association a perpetual, non-exclusive easement over any portions of any Tract designated as "sign easements" on plats of the Properties, now or hereafter recorded, to erect, maintain, replace and repair subdivision signs and landscaping and/or lighting surrounding the same and all such easements shall be part of the Common Elements. The Association shall maintain all subdivision signs and landscaping and lighting surrounding same now or hereafter erected within the Common Elements. The costs of all such maintenance, repair and replacement of such signs, landscaping and lighting shall be part of the common expenses of the Association, payable by the Owners as set out in Article V hereof. Further, during Declarant's Development Period, Declarant shall have the right to erect within the Common Elements additional subdivision and entryway signs and landscaping and lighting surrounding the same to be maintained by the Association as herein provided and to erect and maintain signs within the Common Elements for the purpose of advertising and promoting the sale of any portion of the Properties or the Additional Property. In addition, Declarant hereby reserves such easements on, across and over the Common Elements as shall be reasonably necessary for the exercise by Declarant of any right herein reserved and for the development of the Properties or the Additional Property (whether or not the Additional Property is added to or annexed to the Properties).

ARTICLE V
COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant covenants, and each Owner of any Tract, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to all the terms and provisions of this Declaration and to pay to the Association: (a) Annual Assessments, (b) Limited Common Element Assessments, and (c) Special Assessments, each for the purposes set forth in this Article, and each to be fixed, established and collected from time to time as hereinafter provided. Annual Assessments, Limited Common Element Assessments and Special Assessments (collectively, the "Assessments"), together with such interest thereon and costs of collection thereof including a reasonable attorney's fee as hereinafter provided, shall be a charge and continuing lien on the real property and improvements thereon against which each such Assessment is made. Each such Assessment, together with such interest thereon and cost of collection thereof including a reasonable attorney's fee as hereinafter provided, shall also be the personal obligation of the person who was the Owner of such real property at the time when the Assessment first became due and payable. In the case of co-ownership of a Tract, all of such co-owners shall be jointly and severally liable for the entire amount of the Assessment.

Section 2. Purpose of Assessments. The Annual Assessments levied by the Association shall be used exclusively for the improvement, maintenance, enhancement, enlargement and operation of the Common Elements and to provide services which the Association is authorized to provide. The Limited Common Element Assessments shall be used exclusively for the improvement, maintenance, enhancement, enlargement and operation of those Limited Common Elements allocated for the use of the Owners' of the Tracts against which such assessments are levied. Special Assessments may be levied for any of the purposes set forth in Section 4 below.

Section 3. Annual Budgets. At least thirty (30) days in advance of each annual assessment period, the Executive Board shall establish an annual budget and fix the amount of the Annual Assessments and Limited Common Element Assessments in advance for the following year. Within thirty (30) days of the adoption of any proposed budget, the Executive Board shall provide to all of the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than 15 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners entitled to cast at least a majority of the total authorized votes of the Association reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

Section 4. Fixing Annual Assessments; Application of "Maximum Annual Assessment". All Annual Assessments levied by the Association shall be in the same proportions as the Maximum Annual Assessments specified below, unless a disproportionate rate of Assessment is approved by an affirmative Membership Vote or Referendum of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Association, such vote to include the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant and at least fifty-one percent (51%) of the votes of any voting Class disproportionately burdened, voting, in person or by proxy, at a meeting duly called for such purpose, or if by Referendum, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of the Members other than Declarant and at least fifty-one percent (51%) of the total authorized votes of any voting Class disproportionately burdened. The levy of an Assessment less than the Maximum Annual Assessment in one (1) year shall not affect the Board's right to levy an Annual Assessment (as increased annually as hereinafter provided) equal to the Maximum Annual Assessment in subsequent years. If the Executive Board shall levy less than the Maximum Annual Assessment for any Assessment year and thereafter, during such Assessment year, determine that the important and essential functions of the Association cannot be funded by such lesser Assessment, the Board may, by majority vote, levy a supplemental Annual Assessment. Except for any additional Annual Assessment levied against any Commercial Unit constituting membership dues in any Business Association formed pursuant to Section 17 of this Article, in no event shall the total Annual Assessments levied against any Tract in any given year exceed the applicable Maximum Annual Assessment. If the Executive Board, by majority vote, determines that the important and essential functions of the Association will not be properly funded in any one (1) year, or in any one (1) year and all subsequent years, it may request approval of a specified increase in the Maximum Annual Assessments for either one (1) year only, or for that one (1) year and all subsequent years, such approval to be obtained pursuant to a Membership Vote or Referendum of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Association, such vote to include the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant, voting, in person or by proxy, at a meeting duly called for such purpose, or if by Referendum, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of the Members other than Declarant. An increase in the Maximum Annual Assessments for one (1) year only pursuant to the provisions hereof shall in no way affect the Maximum Annual Assessments for subsequent years or increases thereof in subsequent years. Any such change in the Maximum Annual Assessments shall be in the same proportions as the Maximum Annual Assessments herein established, unless a disproportionate rate of Assessment is approved by an affirmative Membership Vote or Referendum of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Association, such vote to include the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant and at least fifty-one percent (51%) of the votes of any voting Class disproportionately burdened, voting, in person or by proxy, at a meeting duly called for such purpose, or if by

Referendum, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of the Members other than Declarant and at least fifty-one percent (51%) of the total authorized votes of any voting Class disproportionately burdened.

From and after the first day of the first full month following recordation of this Declaration, the Maximum Annual Assessment shall be the sums calculated in accordance with the following Assessment Schedule, as may be increased pursuant to the provisions herein set forth:

Property Type	Maximum Annual Assessment
Residential Lots and Family Dwelling Units	$360.00 per Lot or Unit
Commercial Units	$0.36 per square foot of floor space, but in no event less than $720 for each unit
Development Parcels	$250.00 per acre; prorated for part of an acre, but in no event less than $500.00 for each site or parcel

(For purposes of determining certain voting rights, the amount at any given time multiplied by the acreage of Development Parcels to determine the Maximum Annual Assessment is sometimes herein referred to as the "Development Quotient.")

The Executive Board shall determine the square footage of floor space to be assessed by the Association for each Commercial Unit. In certain extraordinary circumstances, as in the case of an indoor tennis facility, skating rink, swimming pool, gymnasium, or certain storage areas where an unusually large number of square feet of floor space is required within such facility, the Executive Board may, in its sole and uncontrolled discretion, exempt from Assessment portions of the square footage of floor space of such facility.

From and after December 31 of the year in which this Declaration is recorded, the Maximum Annual Assessment shall be automatically increased each year by an amount equal to the greater of ten (10%) percent per year over the Maximum Annual Assessment for the previous year (without regard for the actual Annual Assessment levied the previous year) or the percentage increase in the U.S. Department of Urban Price Index - All Urban Consumers (1982-84=100) when comparing the two most current years for which such index is available. If at any time such index is no longer computed or published, the Executive Board of the Association shall select a comparable index reflecting the increase of costs incurred by the Association.

Notwithstanding anything herein to the contrary, so long as any Tract owned by Declarant remains unimproved or the improvements on any Tract owned by Declarant are unoccupied, Declarant may elect that the annual assessments for each such Tract shall be an amount equal to twenty-five percent (25%) of the Annual Assessments which would otherwise be levied against such Tract; provided, however, should Declarant so elect such reduced assessments and FHA or VA insured loans have been obtained to purchase Tracts, Declarant must provide for or pay for all maintenance to such Tracts and shall fund all operating budget deficits incurred during the Period of Declarant's Control, including reserves based upon expected lives of items for which reserves are maintained, but not including shortfalls caused by nonpayment of assessments by other Members or extraordinary expenditures (e.g., expenses caused by natural catastrophes or environmental hazards). The foregoing obligation to fund budget deficits, should it arise, shall be a charge on the land and shall be a continuing lien upon those portions of the Properties owned by the Declarant when a claim of lien is filed of record in the Applicable Registry.

Section 5. Property Classifications.

(a) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Residential Lot until the first day of the first quarter of the year following after all of the following have occurred:

(1) Recording of a Plat in the Applicable Registry, showing such Residential Lot.

(2) The Lot has been placed on an "Inventory List" of lots for sale submitted to the Association by the Declarant, a Developer or an Affiliate in those cases where the Lot is owned by the Declarant, a Developer or an Affiliate.

(3) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Executive Board, as a Residential Lot in those cases where the Lot is owned by any party other than the Declarant, a Developer or an Affiliate.

(b) A Residential Lot shall be deemed to be unimproved and shall not be deemed a Family Dwelling Unit until such time as a building permit has been issued for said property by the appropriate governmental authorities.

(c) As set forth in Subparagraph (h) of Article I, a Development Parcel, or portion thereof, shall remain classified as such until subdivided and classifiable as a Residential Lot or Lots, or improved and classifiable as a Commercial Unit or Family Dwelling Unit. A Development Parcel, or portions of said Development Parcel, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Executive Board, as improved properties. In those cases where the improvements intended on a Development Parcel or portion thereof include more than one building or structure, each building or structure shall be deemed to be unimproved until the building or structure is sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Executive Board, as improved properties, at which time each and every improved unit within said building, structure or phase or group of units shall be deemed a Commercial Unit or a Family Dwelling Unit, as the case may be, for the purpose of Assessments, and, in addition, the remaining number of acres to be assessed as a Development Parcel shall be calculated by subtracting (i) the number of acres within the parcel upon which Commercial Units and Family Dwelling Units have actually been developed from (ii) the total number of acres in the original Development Parcel.

At such time as all building improvements intended for development on a Development Parcel have been classified as Commercial Units or Family Dwelling Units, and the Owner of said Development Parcel is able to warrant to the satisfaction of the Executive Board that (i) no further development of Residential Lots, Commercial Units or Family Dwelling Units shall take place on said parcel, and (ii) any remaining unimproved acres within said parcel shall not be sold to any other third party for further development of Residential Lots, Commercial Units or Family Dwelling Units, then said owner may apply to the Executive Board for the release of any remaining acres in said parcel from the classification of a Development Parcel, and the Executive Board may, in its sole and uncontrolled discretion, grant such release.

(d) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Family Dwelling Unit until (i) the improvements being constructed on a Development Parcel are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Executive Board, as improved properties as defined in subparagraph (d) hereinabove, or (ii) a building permit has been issued by the appropriate governmental authorities for a property formerly deemed a Residential Lot as defined in subparagraph (c) hereinabove.

(e) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Commercial Unit until the improvements being constructed on a Development Parcel are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in subparagraph (c) hereinabove.

Assessments shall be due annually, quarterly, monthly or on such other basis as may be determined by the Executive Board. The payment schedule shall be the same for all Tracts of a specified classification; however, the Executive Board, in its discretion, may establish different schedules for the payment of Assessments due from different classifications of property. The Owner of any assessable property which changes from one classification to another during an Assessment year shall be billed any additional amount for the remaining full quarters of such year to reflect the classification change. Changes during an Assessment year in square footage of floor space to be assessed by the Association for a Commercial Unit shall be reflected in the billing for the remaining full quarters of the Assessment year.

Section 6. Limited Common Element Assessments. For purposes of establishing Limited Common Element Assessments, the Executive Board of the Association shall group together all Tracts to which the same or like Limited Common Elements are allocated. Each such group of Tracts is herein referred to as a "Cluster." At the same time as the Executive Board establishes the annual budget for purposes of fixing Annual Assessments, the Executive Board shall establish an annual budget for each Cluster and fix the amount of Limited Common Element Assessments for each Tract within the Cluster for the following year. In each instance, the amount of such assessments levied against each Tract within a Cluster shall be proportionate in amount to the then current Maximum Annual Assessment for all Tracts within the Cluster. With the budget establishing Annual Assessments, the Executive Board shall provide to all of the Owners of Tracts subject to a Limited Common Element Assessment a summary of the budget for each Cluster to which such Tract belongs and a notice that ratification of each Cluster budget will be considered at the meeting to be held to consider ratification of the budget establishing Annual Assessments and that a quorum of the Owners of each Cluster is not required to ratify the budget for that Cluster. Each Cluster budget shall be deemed ratified unless at that meeting the Owners of a majority of the Tracts within the Cluster reject the budget. In the event any proposed budget is rejected, the periodic Cluster budget last ratified by the Owners of Tracts within such Cluster shall be continued until such time as the Cluster Owners ratify a subsequent budget proposed by the Executive Board. If the Executive Board, during any given Assessment year, shall determine that the important and essential functions of the Association with respect to any Limited Common Element cannot be funded by the Limited Common Element Assessments levied against that Limited Common Element's Cluster, the Executive Board may levy a supplemental Limited Common Element Assessment, with the approval of the Cluster Members to be obtained pursuant to an affirmative Membership Vote or Referendum of the Cluster Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Cluster Members, such vote to include the Cluster Members entitled to cast at least fifty-one percent (51%) of the votes of the Cluster Members other than Declarant, voting, in person or by proxy, at a meeting duly called for such purpose, or if by Referendum, such consent to include the consent of the Cluster Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of the Cluster Members other than Declarant.

Section 7. Special Assessments for Improvements and Additions. In addition to the Annual Assessments and the Limited Common Element Assessments authorized by Sections 4 and 6 hereof, the Association may levy Special Assessments for the following purposes:

(a) Construction, reconstruction, repair or replacement of capital improvements upon the Common Elements including the necessary fixtures and personal property related thereto;

(b) For additions to the Common Elements or Limited Common Elements;

(c) To provide for the necessary facilities and equipment to offer the services authorized herein; or

(d) To repay any loan made to the Association to enable it to perform the duties and functions authorized herein.

Such Special Assessment, before being charged, must have received the approval of the Members of the Association obtained pursuant to an affirmative Membership Vote or Referendum of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Association, such vote to include the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant, voting, in person or by proxy, at a meeting duly called for such purpose, or if by Referendum, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of the Members other than Declarant.

The proportion of each Special Assessment to be paid by the Owners of the various classifications of assessable property shall be equal to the proportion of the Annual Assessments levied for the Assessment year during which such Special Assessments are approved by the Members, unless a disproportionate Special Assessment is approved by the Members pursuant to an affirmative Membership Vote or Referendum of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Association, such vote to include the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant and at least fifty-one percent (51%) of the votes of any voting Class disproportionately burdened, voting, in person or by proxy, at a meeting duly called for such purpose, or if by Referendum, such consent to include the consent of the Members entitled to cast at least fifty-one percent (51%) of the total authorized votes of the Members other than Declarant and at least fifty-one percent (51%) of the total authorized votes of any voting Class disproportionately burdened

Section 8. Reserve Funds. The Association shall establish reserve funds from its Annual Assessments and Limited Common Element Assessments to be held in reserve in an interest drawing account of investments as a reserve for:

(a) Major rehabilitation or major repairs;

(b) For emergency and other repairs required as a result of storm, fire, natural disaster or other casualty loss, and;

(c) Initial costs of any new service to be performed by the Association.

Section 9. Special Assessments for Neighborhood Areas. At the request of the Owners of the Tracts within a Neighborhood Area, such request having been approved by an affirmative Membership Vote or Referendum of the Neighborhood Area Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Owners of the Tracts within such Neighborhood Area, the Executive Board of the Association may levy a Special Assessment applicable only to the Owners within such Neighborhood Area to undertake special neighborhood improvements, neighborhood rehabilitation or construction, special neighborhood security and neighborhood maintenance. Unless also approved in such Membership Vote or Referendum by at least sixty-seven percent (67%) of the total authorized vote of each Class of Members within such Neighborhood Area disproportionately burdened, the proportion of each Special Assessment to be paid by the Owners of the various classifications of assessable property within such Neighborhood Area shall be equal to the proportion of the Annual Assessments levied for the Assessment year during which such Special Assessments are approved by such Members.

Section 10. Date of Commencement of Annual Assessments and Limited Common Element Assessments, Due Date. Annual Assessments and Limited Common Element Assessments shall commence with respect to each portion of the Properties subject thereto on the first day of the first month following the date such property is subjected to this Declaration, and shall be prorated on a calendar year basis. Due dates for Annual Assessments and Limited Common Element Assessments shall be as determined by the Executive Board in its sole discretion.

Section 11. Duties of the Executive Board. The Executive Board of the Association shall fix the amount of the Annual Assessment and Limited Common Element Assessments against each Tract as provided hereinabove, and shall, at that time, direct the preparation of an index of the Properties and the Annual Assessments and Limited Common Element Assessments applicable thereto, and any Special Assessments applicable thereto, which shall be kept in the office of the Association and which shall be open to inspection by any Member.

The Association shall upon demand at any time furnish to any Owner liable for said Assessments a certificate in writing signed by an Officer of the Association, setting forth whether said Assessments have been paid. Such certificate shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid.

Section 12. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; the Lien; Remedies of Association. If any Annual Assessment, Limited Common Element Assessment or Special Assessment is not paid on or before the past-due date established by the Executive Board, then such Assessment shall become delinquent and shall (together with interest thereon at a per annum rate from time-to-time established by the Executive Board of the Association not to exceed the lesser of: (i) eighteen percent (18%) per annum or (ii) that per annum rate charged by the Internal Revenue Service on delinquent taxes, and cost of collection thereof including a reasonable attorney's fee as hereinafter provided) become a charge and continuing lien on the land and all improvements thereof, against which each such Assessment is made in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

If the Assessment is not paid within thirty (30) days after the past-due date, the Association may bring an action at law against the Owner personally and there shall be added to the amount of such Assessment the costs of preparing the filing of the Complaint in such action and a reasonable attorney's fee, and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and a reasonable attorney's fee together with the costs of the action.

Section 13. Subordination of the Lien. The Lien of the Assessments provided for herein shall be subordinate to the lien of any first deed of trust now or hereafter placed upon any properties subject to Assessment. In the event a creditor acquires title to any property subject to Assessment pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, said creditor shall be subject to Assessments accruing after such acquisition.

Section 14. Exempt Property. Any property which qualifies as Exempt Property and the Owners thereof shall be exempted from the Assessment, charge and lien created herein.

Section 15. Annual Statements. The Executive Board of the Association shall cause to be prepared within ninety (90) days after the close of the fiscal year of the Association an annual financial statement and report of the Association by a certified public accountant showing the actual assets and liabilities of the Association at the close of such fiscal year and a statement of revenues, costs and expenses. A copy of such statement and report shall be furnish to each Member of the Association, who may make request therefor in writing, within thirty (30) days after receipt of such request. The copy may be furnished to such Member either in person or by mail. Any holder of a first mortgage on a lot(s) or unit(s) shall be entitled upon written request to a financial statement for the immediately preceding fiscal year.

The financial books of the Association shall be available for inspection by all Members at all reasonable times.

Section 16. Working Capital Fund. At the time of closing of the first sale of each Tract to any owner other than a Declarant, a Developer, or an Affiliate of either, or on the date two (2) months from the issuance of a certificate of occupancy for each Commercial Unit, a sum equal to at least two (2) months assessment for each such Tract shall be collected and transferred to the Association to be held as a working capital fund. The purpose of said fund is to insure that the Association Board will have adequate cash available to meet unforeseen expenses and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund shall not be considered advance payment of regular assessments.

Section 17. Business Association. A Business Association may be formed by Declarant at any time during Declarant's Period of Control, or with the consent and approval of the Owners of Commercial Units obtained pursuant to an affirmative Membership Vote or Referendum of the Class B Members entitled to cast at least sixty-seven percent (67%) of the total authorized Class B votes. Membership in any such Business Association shall be mandatory for the Owners of all Commercial Units. During Declarant's Period of Control the Business Association shall serve such purposes and provide such services related to the ownership and operation of Commercial Units in the Green as the Declarant shall deem advisable, including, without limitation, the beautification or enhanced safety of commercial areas, enforcement of parking or other local ordinances, or events and advertising to promote commercial areas. After Declarant's Period of Control, the Business Association shall be governed by a Board of Governors elected by its members. The Business Association may be disbanded only with the consent and approval of the Owners of Commercial Units obtained pursuant to an affirmative Membership Vote or Referendum of the Class B Members entitled to cast at least sixty-seven percent (67%) of the total authorized Class B votes; provided, however, any disbandment of a Business Association established by Declarant shall require the further consent of Declarant during Declarant's Period of Control. To defray the costs associated with the operation of and services delivered by the Business Association, membership dues may periodically be assessed by the Business Association against Commercial Units in proportion to their relative square footage of floor space. Any such membership dues, if not remitted to the Business Association, shall constitute additional Annual Assessments due and payable to the Association. The Association shall use its best efforts to collect such additional Annual Assessments and, after deducting any costs of collection, remit the same to the Business Association.

ARTICLE VI
EXTERIOR MAINTENANCE

Section 1. Maintenance to Be Performed by the Association. The Association shall maintain the Common Elements, including, without limitation, the maintenance of insurance in accordance with the Bylaws of the Association.

Section 2. Maintenance to Be Performed by the Owners. Each Owner shall be responsible for the exterior maintenance such Owner's Tract and all Improvements located thereon, including, without limitation, the following: painting, replacement and care of roofs, gutters, downspouts, exterior building surfaces, paved surfaces, lawn, trees, shrubs, landscaping, driveways, steps, walks and other exterior improvements. Each Owner shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all utility lines, fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to such Owner's Tract which are not publicly maintained.

In the event that an Owner neglects or fails to maintain such Owner's Tract and/or all Improvements located thereon in a manner consistent with other Tracts and Improvements within the Properties or fails to maintain the Tract in a safe condition and free of debris, the Association may provide such exterior maintenance. Provided, however, that the Association shall first give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself. The determination as to whether an Owner has neglected or failed to maintain such Owner's Tract and all Improvements located thereon in a manner consistent with other Tracts and Improvements within the Properties shall be made by the Executive Board of the Association, in its sole discretion. In the event the Association performs such exterior maintenance, repair or replacement, the Association's liability for its actions in connection therewith shall be limited to the gross negligence or intentional misconduct of the Association and the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Tract is subject. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Tract at all reasonable times to perform maintenance as provided in this Article.

ARTICLE VII
COMMUNITY DEVELOPMENT REVIEW

Section 1. Designation of an Community Development Review Committee. The Executive Board of the Association shall appoint an Community Development Review Committee (herein so called) which shall consist of no less than three (3) and no more than eleven (11) members who shall be natural persons, but do not have to be Members of the Association.

Section 2. Function of the Community Development Review Committee. Except as otherwise provided herein to the contrary, no Improvement, as that term is hereinabove defined, shall be erected, constructed, placed, altered (by addition or deletion), maintained or permitted to remain on any portion of the Properties, including any Common Elements or Limited Common Elements and no building or other permit required for the erection, construction, placement alteration or maintenance of any Improvement on any portion of the Properties shall be applied for, until design documents, in such form and detail as the Community Development Review Committee may require pursuant to policies and procedures from time to time adopted and promulgated by it, shall have been submitted to and approved in writing by the appropriate Community Development Review Committee. In addition, no application for any of the following shall be made without the approval or consent of the Community Development Review Committee: (i) any change or amendment in the zoning classification or district applicable to any of the Properties, (ii) any special use permit for any portion of the Properties or (iii) any variance or other zoning deviation or relief which changes the permitted uses, densities, dimensional requirements or height and parking limitations for any portion of the Properties. The approval of or consent to any such rezoning change or amendment or any such special use permit shall not, however, constitute a waiver of or variance from any other applicable covenants or restrictions contained in this Declaration or any Supplemental Declaration and may be subject to such restrictions or conditions as the Community Development Review Committee may impose. Notwithstanding anything herein to the contrary, for so long as Declarant shall own any undeveloped property shown on the Master Plan, Declarant shall have the right to review and approve or deny, as the case may be, any design documents with respect to the initial improvements to be constructed on any portion of the Properties. In addition, notwithstanding anything herein provided to the contrary, so long as Declarant shall own any undeveloped property shown on the Master Plan Declarant shall have the right to approve of and consent to (i) any change or amendment in applicable zoning classification or district, (ii) any special use permit or (iii) any variance or other zoning deviation or relief which changes the permitted uses, densities, dimensional requirements or height and parking limitations, for any portion of the Properties owned by Declarant, a Developer or an Affiliate. Any such approval or consent granted by Declarant shall obviate the need to obtain the approval or consent of the Community Development Review Committee.

Section 3. Interior Alterations. An Owner may make interior improvements and alterations within existing Improvements without first obtaining Community Development Review Committee approval therefor; provided, however, that no Owner shall make any structural alterations in or to Improvements or remove any portion thereof or make additions thereto or do anything that (i) would change the exterior appearance of such Improvements, (ii) would impair any easements, or (iii) would or might jeopardize or impair the safety, soundness, or structural integrity of such Improvements or of any other Improvements included within the Properties, without first submitting design documents therefor and obtaining the written consent thereto of the Community Development Review Committee.

Section 4. Content of Design Documents. Subject to the applicable requirements of the then current policies and procedures adopted and promulgated by the Community Development Review Committee, the design documents to be submitted to the Community Development Review Committee for approval shall include at minimum the following (to the extent each is applicable to the Improvement or Improvements which are the subject of such submittal):

(a) A site plan showing the location of all proposed Improvements, all applicable set back and/or buffer requirements and the footprint of all buildings or other structures to be constructed, together with the finished floor elevation thereof.

(b) Exterior elevations of all sides of the proposed Improvements.

(c) A grading plan, a storm water discharge plan, erosion control plan, and clearing limits.

(d) Exterior materials, colors, textures, shapes and specifications, including samples, if requested.

(e) Landscaping and irrigation plan, including walkways, fences and walls, watering systems, vegetation and ground cover.

(f) Parking areas, driveway plans, loading and service areas.

(g) Screening, including size, location, and type of screening to be utilized, for roof mounted equipment, loading docks and areas, trash dumpsters and other areas or equipment requiring screening.

(h) Utility plans, including points of connections for all utilities.

(i) Exterior illumination, including location, method and types of light poles used.

(j) Exterior signs, including size, shape, color, location, and materials.

Section 5. Purpose; Basis of Approval. The primary purpose of these Covenants and the foremost consideration in the origin of same has been the creation of a community which is aesthetically pleasing and functionally convenient. The establishment of strict objective standards relating to design, appearance, size and location of buildings and other structures would make it impossible to take full advantage of the individual characteristics of each parcel of the Properties and of technological advances and environmental values. Accordingly, approval of design documents shall be based upon each Community Development Review Committee's subjective determination of what, in its discretion, is aesthetically pleasing and acceptable for an Improvement located on that portion of the Properties in question. In order to implement the purposes of these covenants, however, the Community Development Review Committee may establish and from time to time and amend, as they deem appropriate, objective standards and guidelines ("Design Guidelines"), which may include architectural standards and construction specifications, parking guidelines, uniform sign standards, lighting guidelines, landscape guidelines, and environmental rules and regulations for all or any specified portion of the Properties, which shall be guidelines for the review of design documents submitted to the Community Development Review Committee for approval. Copies of all Design Guidelines promulgated by any of the Community Development Review Committees shall be made available to any Member upon request. The Community Development Review Committee may employ professional consultants to assist it in the discharge of its duties. The approval of design documents by either the Community Development Review Committee or Declarant shall be final and such approval may not be rescinded thereafter, provided that the Improvements are constructed and maintained in substantial conformity with the approved design documents. Approval of any design documents with regard to any portion of the Properties shall not be deemed a waiver of any right of the Community Development Review Committee or Declarant, as the case may be, to disapprove similar plans, or any of the features or elements included therein, submitted for any other portion of the Properties. Declarant and the Community Development Review Committee shall have only such power and authority to waive, or grant variances from, the Covenants as expressly set forth herein or in any applicable Supplemental Declaration.

Section 6. Community Development Review Fee. Except in connection with the submission of design documents for the construction or alteration of any Family Dwelling Unit (other than the construction or alteration of multiple Family Dwelling Units which are a part of an apartment, townhome or condominium complex), for which no review fee will be charged, the Community Development Review Committee shall be entitled to charge a community development review fee not to exceed the greater of: (i) One Thousand Dollars ($1,000.00) for each 100,000 square feet or portion thereof of the building to be constructed pursuant to such design documents; (ii) One Thousand Dollars ($1,000.00) for each ten (10) acres of land or portion thereof contained in the property on which Improvements are to be constructed, to be paid in advance, each time design documents are submitted to such committee for approval in accordance herewith. In the event that submitted design documents are disapproved as not conforming with the provisions of this Article or with other criteria imposed by the disapproving Community Development Review Committee, when new or revised design documents are submitted, it shall be deemed to be an entirely new submittal, subject to the foregoing fee schedule. The Community Development Review Committee may, in its sole and uncontrolled discretion, from time to time waive any review fee established by such committee.

Section 7. Failure of the Community Development Review Committee to Act; Rejection of Design documents. If the Community Development Review Committee fails to approve or to disapprove any design documents submitted to it or to reject them as being inadequate within forty-five (45) days after submittal thereof, and provided no Improvement described in such design documents violates the Covenants contained in this Declaration or in any Supplemental Declaration applicable thereto, it shall be conclusively presumed that such Community Development Review Committee has approved such design documents. The Community Development Review Committee, by its failure to act, shall not be deemed to have waived, or granted any variances from, any covenant or restriction contained in this Declaration or any applicable Supplemental Declaration. If any design documents are not sufficiently complete or are otherwise inadequate, the Community Development Review Committee may reject them as being inadequate or may approve or disapprove part, conditionally or unconditionally, and reject the balance. If the Community Development Review Committee rejects any submission, it shall provide, on the request of the Owner making such submission, a general written statement of the reasons for rejection, shall suggest revisions that meet the Community Development Review Committee's requirements, and shall otherwise make reasonable efforts (at no cost to the Association) to aid the submitting Owner in preparing a proposal that would be acceptable to such Community Development Review Committee. Any subsequent resubmission by the Owner shall be reviewed and acted upon by the Community Development Review Committee as outlined herein, within forty-five (45) calendar days after such resubmission.

Section 8. Estoppel Certificate. Within forty-five (45) days after written demand is delivered to the Community Development Review Committee and upon payment of a reasonable fee established by Committee, the Community Development Review Committee shall provide an estoppel certificate certifying that, as of the date thereof, either (a) all improvements made or other work done on or within any specified portion of the Properties have been constructed in compliance with the provisions of this Article VII, or (b) such improvements or work do not so comply with the provisions of this Article VII, in which event the certificate shall identify the non-complying improvements or work and set forth with particularity the cause or causes of such non-compliance. Any lessee, purchaser or encumbrancer in good faith for value shall be entitled to rely on said certificate with respect to the matters set forth therein, such matters being conclusive as between the Community Development Review Committee and all such subsequent parties in interest. The initial fee for issuance of an estoppel certificate shall not exceed $25.00, but may be amended from time to time by each Community Development Review Committee.

Section 9. Limitation of Liability. No approval of design documents and no publication of Design Guidelines or other similar actions by Declarant or the Community Development Review Committee shall be construed as representing or implying that Improvements built in accordance therewith shall be free of defects. Any approvals and observations of design documents incident to the provisions of this Article VII shall be concerned solely with matters of an aesthetic nature and the satisfaction of the specific requirements set forth in this Declaration or in any applicable Supplemental Declaration. Such approvals and shall in no event be construed as representing or guaranteeing that any Improvements built in accordance therewith will be designed or built in a good and workmanlike manner. Neither Declarant, the Association, their respective directors, officers, employees, and agents, the Community Development Review Committee, nor any of the members of the Community Development Review Committee shall be responsible or liable in damages or otherwise to anyone submitting design documents for approval or to any Owner for any defects in any design documents submitted, revised, or approved, for any loss or damages to any person arising out of approval or disapproval or failure to approve or disapprove any such design documents, any loss or damage arising from the noncompliance of such design documents with any governmental ordinance or regulation, nor any defects in construction undertaken pursuant to such design documents. Approval of design documents by the Community Development Review Committee is not to be construed as approval by the Town of Apex, North Carolina, or Wake County, as the approval processes are independent.

Section 10. Building Requirements. Without limiting the review powers of Declarant or the Community Development Review Committee herein established, the nature of the design documents to be submitted for review by the appropriate Community Development Review Committee under the provisions of this Article VII or the definition of Improvements hereinabove provided, the following provisions shall be applicable to the Properties and to all Improvements and all construction, alterations or additions to the Properties:

(a) Streets. All streets (excluding alleyways) shall be curbed, guttered and paved and, except as may otherwise be provided herein or by rules and regulations promulgated by the Association or its Community Development Review Committee, no parking shall be allowed on any streets.

(b) Driveways, Alleyways and Parking Areas. All driveways, alleyways and parking areas shall be paved.

(c) Signs. All signs erected, constructed, placed, altered (by addition or deletion) maintained or permitted to remain on any portion of the Properties must be approved by Declarant or the Community Development Review Committee, as the case may be, in writing prior to installation. Normally, such approval will be limited to those signs which:

(1) Identify the name of the residential area or the name and business of the occupant(s) of any Commercial Unit or which offer the premises for sale or for lease.

(2) Are not of an unusual size or shape when compared to the Improvements located on the premises.

(3) Do not block or detract from adjacent property.

(4) Preserve the quality and atmosphere of the area.

Signs of a flashing or moving character will not be permitted except within the sole and uncontrolled discretion of the Community Development Review Committee. The Association shall have the right to enter on and to remove, at the owner's expense, any sign erected without such written approval. All signs shall be in accordance with any Master Sign Plan promulgated by the Community Development Review Committee.

(d) Landscaping. Landscaping shall:

(1) Be required on all sites contemporaneously with completion of other Improvements, but in no event later than ninety (90) days after first occupancy or completion of initial Improvements, whichever shall first occur or such reasonable additional period of time as the appropriate Community Development Review Committee might approve to accommodate weather conditions.

(2) Conform to any Landscaping Design Guidelines promulgated by the Community Development Review Committee.

Normally, such approval will be limited to landscaping plans which:

(i) Do not obstruct sight lines at street or driveway intersections;

(ii) Preserve existing trees to the extent practical;

(iii) Permit reasonable access to public and private utility lines and easements for installation and repair; and

(iv) Meet all site plan and other requirements of the Town of Apex and the North Carolina Department of Transportation for plantings, signs, fences, walls, etc.

Notwithstanding anything herein to the contrary, landscaping improvements made to any Residential Lot or Family Dwelling Unit consisting of plant materials native to the area and commonly used in residential landscaping which do not interfere with the sight lines of motorists at intersections of the streets and/or driveways located within the Properties shall not require approval by the Executive Board or the Architectural Control Committee.

(e) Screening.

(1) Storage areas, incinerators, storage tanks, trucks based on the premises, roof objects (including fans, vents, cooling towers, skylights and all roof mounted equipment which rises above the roof line), trash containers and maintenance facilities, shall either be housed in closed buildings or otherwise completely screened from view by the public and adjacent property owners in a manner and at a location approved in writing by Declarant or the Community Development Review Committee, as the case may be. Such screening would

normally include landscaping and/or permanent fences of solid materials and be located as far from property lines as reasonably possible. Such screening will not be required for roof vents, fans or skylights which do not extend more than 18 inches above the roof lines if, in the sole judgment of Declarant or the Community Development Review Committee, as the case may be, (confirmed in writing) such fans, vents or skylights are architecturally acceptable and do not detract from the quality of the area or from the external appearance of the structure.

(2) Except as such restrictions may be prohibited under applicable regulations promulgated by the Federal Communications Commission or other applicable state, federal or local laws or regulations, (i) no outside antennas or satellite dishes and no free standing transmission or receiving towers shall be erected on any Tract within the Properties without the prior written permission of the Community Development Review Committee and (ii) any antenna or satellite dish erected on any Tract within the Properties shall be affixed to the building improvements located on such Tract, shall be a color which blends with its surrounds, shall have a mask only as high as reasonably necessary to receive the intended signal and shall not be visible from any street.

(3) Any and all lines and/or wires for communication or for transmission of sound or current, not within a building, shall be constructed or placed and maintained underground, but Declarant or the Community Development Review Committee, as the case may be, may grant a temporary variance for electric and telephone service lines providing temporary service to the facility pending substantial completion of Improvements at which time the variance shall automatically cease.

(f) Loading Docks and Areas.

(1) Loading docks and areas shall not be located on the street side of any building or structure, except that Declarant or the Community Development Review Committee, as the case may be, may approve such location in writing (subject to express screening requirements) on one street side of corner buildings or structures.

(2) Loading areas may not encroach setback areas, except that Declarant or the Architectural Committee, as the case may be, may approve such

encroachment in connection with the approval of street side loading areas for corner buildings as described in the preceding paragraph, but no variance shall be effective if it would cause a violation of applicable codes or ordinances.

(3) Loading docks and areas shall be screened in a manner approved in writing by Declarant or the Community Development Review Committee, as the case may be, considering such things as location (street side or rear side) and views from adjacent and nearby properties.

(g) Exterior Illumination. Exterior illumination must conform to plans approved in writing by Declarant or the Community Development Review Committee, as the case may be.

(h) Construction.

(1) No excavation shall be made except in conjunction with construction of an Improvement the design plans for which have been reviewed and approved as hereinabove provided. At the request of the Community Development Review Committee, all adjoining and nearby streets, driveways and alleyways shall be cleaned periodically of the runoff created by such excavation and construction. When such improvement is completed, all exposed excavations shall be back filled, properly compacted, fine graded, stabilized and revegetated .

(2) Once commenced, construction of the exterior of the building shall be diligently pursued to the end that it may not be left in a partly finished condition any longer than reasonably necessary. In the event construction ceases prior to the completion of the improvements commenced for a period of one hundred twenty (120) days, then the Association, in its sole discretion of its Executive Board, after sixty (60) days prior written notice to the Owner(s) of such property and any Institutional Lender, as hereinafter defined, with respect to the such property, shall have the right, but not the obligation, to have all partially constructed improvements removed and demolished at the sole cost and expense of the Owner(s) of such property. The liability of the Association for any such actions shall be limited to the gross negligence or intentional misconduct of the Association. The cost of such removal and demolition shall be a lien upon such property in the same fashion as the Assessments provided for herein. The Association shall have the right to enforce such lien in the same fashion as provided for the

enforcement of Assessment liens in Article IV hereof. By acceptance of the conveyance of any property subject to this Declaration, the Owner of such property agrees that the Association shall have an easement to enter onto any portion of the Properties on which construction has so ceased for the purpose of the removal and demolition of improvements and the Owner of such property shall indemnify and hold Declarant, the Association, and the Members of the Community Development Review Committees as the case may be, harmless for any loss, cost, damage or liability in the removal and demolition.

(3) No portion of the Properties shall be covered by impervious or semi-impervious surfaces in a percentage higher than that allowed by Declarant or the Community Development Review Committee, as the case may be, or as approved by the Town of Apex, North Carolina.

ARTICLE VIII
GENERAL PROVISIONS

Section 1. Duration. The Covenants of this Declaration and any Amendments thereto shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Declarant or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns for a period of thirty (30) years from the date this Declaration is recorded. Upon the expiration of said thirty (30) year period, this Declaration shall be automatically extended upon the expiration of the initial thirty (30) year period, or during the last year of any subsequent ten (10) year extension period, unless terminated with the consent of the Owners obtained pursuant to an affirmative Membership Vote or Referendum of the Members entitled to cast at least eighty percent (80%) of the total authorized votes of the Class A, B and C Memberships of the Association, voting together; provided, however, during Declarant's Development Period, the consent of Declarant shall also be required to terminate this Declaration. It shall be required that written notice of any meeting at which such a proposal to terminate this Declaration is to be considered, setting forth the fact that such a proposal will be considered, shall be given each member at least twenty-five (25) days in advance of said meeting. In the event that the Members of the Association vote to terminate this Declaration, the President and Secretary of the Association shall execute a certificate which shall set forth the Resolution of Termination adopted by the Association, the date of the meeting of the Association at which such Resolution was adopted, the date that Notice of such Meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes necessary to adopt a Resolution terminating this Declaration, the total number of votes case in favor of such Resolution and the total number of votes cast against such Resolution. Said certificate shall be recorded in the Applicable Registry, and may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

Section 2. Amendments. This Declaration may be amended only with the consent of the Members having been obtained pursuant to an affirmative Membership Vote or Referendum of the Members entitled to cast at least sixty-seven percent (67%) of the total authorized votes of the Association, such vote to include the Members entitled to cast at least fifty-one percent (51%) of the votes of the Members other than Declarant and at least fifty-one percent (51%) of the Members of any Class disproportionately burdened, voting in person or by proxy, or if by Referendum, such consent to included fifty-one percent (51%) of the total authorized votes of the Members other than Declarant and at least fifty-one (51%) of the total authorized votes of the Members of any Class disproportionately burdened; provided, however, Declarant may unilaterally terminate or restrict any right herein reserved in favor of Declarant by recording in the Wake County Registry a notice of such termination or restriction; and provided further, during Declarant's Development Period, no Material Amendment to this Declaration shall be effective without Declarant's consent, no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection and no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant. If any proposed amendment to this Declaration is approved by the Members as set forth above, the President and Secretary of the Association shall execute an Addendum to this Declaration which shall set forth the Amendment, the effective date of the Amendment (which in no event shall be less than sixty (60) days after the date of the meeting of the Association at which such Amendment was adopted), the date of the meeting of the Association at which such Amendment was adopted, and shall certify with particularity the adoption of the amendment by Membership Vote or Referendum, as the case may be. Such Addendum shall be recorded in the Applicable Registry.

Section 3. FHA/VA Approvals. During any Period of Declarant Control, the following actions will require the prior approval of the Federal Housing Administration ("FHA") or the Department of Veterans Affairs ("VA") provided that FHA or VA loans have been obtained to purchase Tracts:

(a) any Extraordinary Action;

(b) any Material Amendment to this Declaration; or

(c) termination of this Declaration, dissolution of the Association (except incident to a merger or consolidation with another non-profit Association formed for similar purposes) or other termination of the planned unit development hereby created.

Section 4. Enforcement. The Owner(s) of each Tract shall be governed by and shall comply with the provisions of this Declaration, the Bylaws of the Association and all rules and regulations of the Association adopted pursuant thereto, as any of the same are now constituted or as they may be amended from time to time. A default by any Owner shall entitle the Association or the Owner(s) of any of the other Tracts to the following relief:

(a) 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, the Bylaws of the Association and all rules and regulations of the Association adopted pursuant thereto. Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the Bylaws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. The Association shall have the right to request that law enforcement, public safety and animal control officers come on the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

(b) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to assess reasonable fines against an Owner for violations of this Declaration the Bylaws of the Association or the Association's published rules and regulations by such Owner, or such Owner's family, guests, invitees and lessees in an amount not to exceed $150.00 for each violation, and without further hearing, for each day after the decision that the violation occurs. Such fines shall be deemed to be assessments as set forth in Article IV of the Declaration and if not paid within thirty (30) days after notice and demand therefor, the Association shall be entitled to the remedies set forth in the Declaration for the enforcement and collection of delinquent assessments.

(c) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to suspend privileges or services provided by the Association (except rights of access to Tracts) for reasonable periods for violations of this Declaration or the Bylaws, Articles or rules and regulations of the Association. If it is decided that a suspension of privileges or services provided by the Association should be imposed, the suspension may be continued without further hearing until the violation is cured.

(d) If an Owner is legally responsible for damage inflicted on any Common Elements, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover damages from the responsible Owner. If damage is inflicted on any Tract by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner. When any such claim for damages against an Owner or the Association is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, any aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Executive Board of the Association to determine if an Owner is responsible for damages to any Common Elements or the Association is responsible for damages to any Tract. If the Executive Board fails to appoint an adjudicatory panel to hear such matters, such hearings shall be held before the Executive Board. Such panel shall accord to the party charged with causing damages notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. This panel may assess liability for each damage incident against each Owner charged or against the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statute 7A-210. When the such claim exceeds the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, liability of any Owner charged or the Association shall be determined as otherwise provided by law. Liabilities of Owners determined by adjudicatory hearing or as otherwise provided by law shall be assessments secured by lien under Section 47F-3-116 of the Planned Community Act. Liabilities of the Association determined by adjudicatory hearing or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any lien of the Association against the Tract at issue.

(e) In any proceeding arising because of an alleged default by an Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court.

(f) The failure of the Association or any Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration or the other above mentioned documents shall not constitute a waiver of the right of the Association or of the Owner to enforce such right, provision, covenant or condition in the future.

(g) All rights, remedies and privileges granted to the Association or the Owners, pursuant to any terms, provisions, covenants or conditions of the Declaration or other above mentioned documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

(h) The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration or other above mentioned document shall not constitute a waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

Section 5. Severability. Should any Covenant or Restriction herein contained, or any Article, Section, Subsection, sentence, clause, phrase or item of this Declaration be declared to be void, invalid, illegal or unenforceable for any reason by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way effect the other provisions hereof which are hereby declared to be severable and which shall remain in full force and effect.

Section 6. Interpretation. The Executive Board of the Association shall have the right to determine all questions arising in connection with this Declaration and to construe and interpret its provisions and its determination, construction or interpretation shall be final and binding. In all cases, the provisions of this Declaration shall be given that interpretation or construction that will best tend toward the consummation of the general plan of improvements.

Section 7. Authorized Action. All actions which the Association is allowed to take under this instrument shall be authorized actions of the Association if approved by the Executive Board of the Association in the manner provided for in the By-Laws of the Association, unless the terms of this instrument provide otherwise.

Section 8. Limited Liability. In connection with all reviews, acceptances, inspections, permissions, consents or required approvals by or from the Declarant and/or the Association contemplated under this Declaration, the Declarant and/or the Association shall not be liable to an Owner or to any other person on account of any claim, liability, damage or expense suffered or incurred by or threatened against an Owner or such other person and arising out of or in any way relating to the subject matter of any such reviews, acceptances, inspections, permissions, consents or required approvals, whether given, granted or withheld.

Section 9. Management and Contract Rights of Association. The Declarant may enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance and management of the property. If entered into before an Executive Board elected by the Tract Owners takes office, any contract or lease affecting or related to the Properties that is not bona fide or was unconscionable to the Tract Owners at the time entered into under the circumstances then prevailing, may be terminated without penalty by the Association at any time after the first Executive Board elected by the Tract Owners takes office upon not less than 90 days notice to the other party.

Section 10. Obligation of Association to Institutional Lenders. "Institutional Lender" as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies or other firms or entities customarily affording loans secured by first liens on residences, and eligible insurers and governmental guarantors. So long as any Institutional Lender shall hold any first lien upon any Tract, or shall be the Owner of any Tract, such Institutional Lender shall have the following rights:

(a) To inspect the books and records of the Association during normal business hours and to be furnished with at least one (1) copy of the annual financial statement and report of the Association prepared by a certified public accountant designated by the Executive Board of the Association, such financial statement or report to be furnished by April 15 of each calendar year.

(b) To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed amendment to this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation or By-Laws of the Association or of any proposed abandonment or termination of the this Declaration or the planned unit development hereby created (said notice to be given at least thirty (30) days prior to any action) or any proposed Extraordinary Action of the Association.

(c) To receive notice of any condemnation or casualty loss affecting the Common Elements or any portion thereof.

(d) To be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

(e) Upon the demand of a majority of Institutional Lenders, to require professional management of the Association or to demand an audit of the Association's financial records.

(f) To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Tract encumbered by a mortgage held by the Institutional Lender, such notice to be given in writing and to be sent to the principal office of such Institutional Lender, or to the place which it may designate in writing.

Whenever any Institutional Lender desires to avail itself of the provisions of this Article, it shall furnish written notice thereof to the Association by CERTIFIED MAIL at the address shown in the Articles of Incorporation identifying the Tract or Tracts upon which any such Institutional Lender holds any first lien or identifying any Tract or Tracts owned by such Institutional Lender and such notice shall designate the place to which notices, reports or information are to be given by the Association to such Institutional Lender.

Section 11. Rules and Regulations. The Executive Board of the Association may establish reasonable rules and regulations concerning the use of the Common Elements and improvements located thereon and the governance of the Properties consistent with this Declaration. The Association may impose reasonable monetary fines and other sanctions for the violation established rules and regulations and for the violation of any of the covenants and conditions contained in this Declaration, which monetary fines and sanctions shall be assessed and collected pursuant to the provisions herein contained for the collection of Annual Assessments. Copies of such rules and regulations and the amendments thereto shall be furnished by the Association to all Owners prior to the effective date thereof. All such rules and regulations shall be binding upon the Owners, their families, tenants, guests, invitees and agents until and unless such regulation, rule or requirement shall be specifically overruled, canceled, or modified by the Executive Board of the Association.

IN WITNESS WHEREOF, the Declarant has caused this Master Declaration of Covenants, Conditions and Restrictions for The Green at Scotts Mill to be executed by its duly authorized Manager.

SCOTTS WOODS, LLC, a North Carolina limited liability company (SEAL)

By: Thomas W. McKay (SEAL)
Thomas W. McKay, Manager

STATE OF NORTH CAROLINA
COUNTY OF Wake

I, Cynthia A. Botting, a Notary Public of the County and State aforesaid, certify that **Thomas W. McKay** personally appeared before me this day and acknowledged that he is a Manager of Scotts Woods, LLC, Declarant herein, and that by authority duly given and as a Member/Manager of the company, the foregoing instrument was signed and sealed by him on behalf of the company and acknowledged said writing to be the act and deed of said company. Witness my hand and official stamp or seal, this 23rd day of February, 2000.

Cynthia A. Botting
Notary Public

[NOTARIAL SEAL]

CYNTHIA A. BOTTING
NOTARY
PUBLIC
WAKE COUNTY, N.C.

My commission expires: 11/14/2001

SHMM: 199212

SCHEDULE A

All of Tract 1, containing 73.779 net acres as shown on that plat entitled "Divsion for Cedar Queen Development, LLC" dated August 25, 1997, and recorded in Book of Maps 1998, Page 27, Wake County Registry.