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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
BEDFORD COMMONS

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
BEDFORD COMMONS

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS ("Declaration") is made this ____ day of, _____ 20__, by D. R. Horton, Inc., a Delaware corporation ("Declarant").

PART ONE: INTRODUCTION TO BEDFORD COMMONS

D. R. Horton, Inc., as the developer of Bedford Commons, has established this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, administration, maintenance and preservation of Bedford Commons as a separate subdivision within the planned community known as Bedford at Falls River.

Article I Creation of the Bedford Commons Subdivision

1.1. Purpose and Intent.

Declarant is the owner of the real property described on Exhibit "A" to this Declaration. Declarant intends by this Declaration to impose upon the real property comprising Bedford Commons (as defined in Article II) mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of property within Bedford Commons. Declarant desires to provide a flexible and reasonable procedure for the overall-development of Bedford Commons, and to establish a method for the administration, maintenance, preservation, use and enjoyment of the property within Bedford Commons, as it may be expanded in accordance with this Declaration. An integral part of the development plan is the creation of Bedford Commons Homeowners Association, Inc., a sub-association comprised of all owners of real property in Bedford Commons, to provide services in accordance with this Declaration and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.

This document does not and is not intended to create a condominium within the meaning of North Carolina Condominium Act, N.C. Gen. Stat. § 47C-1-101, *et seq.*

1.2. Binding Effect.

Declarant hereby declares that all of the property described on Exhibit "A" and any additional property hereafter submitted to this Declaration in accordance with its terms shall be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the title to, the real property submitted to this Declaration. This Declaration shall be binding on all parties having any right, title, or interest in any portion of the property comprising Bedford Commons, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of the Declarant and each Owner (as defined in Article II).

This Declaration shall be enforceable by the Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, for a term of 30 years from the date this Declaration is recorded in the Public Records, subject to the rights of amendment set forth in Article XVI. After such time, this Declaration shall be extended automatically for successive periods of ten years each, unless an instrument signed by a majority of the then Owners has been recorded in the Public Records within the year preceding any extension, agreeing to amend, in whole or in part, or terminate this Declaration, in which case this Declaration shall be amended or terminated as specified in such instrument. However, no amendment or termination of this Declaration shall affect the applicability to Bedford Commons, or the validity or enforceability, of the Community Declaration (as defined in Article II). Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

Notwithstanding the above, if any provision of this Declaration would be unlawful, void, or voidable by reason of applicability of the rule against perpetuities, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

1.3. Governing Documents.

All provisions of the Governing Documents (as defined in Article II) shall apply to all Owners and to all occupants of their Units, as well as their respective tenants, guests and invitees. Any lease on a Unit shall provide that the lessee and all occupants of the leased Unit shall be bound by the terms of the Governing Documents.

If any provision of this Declaration is determined by judgment or court order to be invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications.

1.4. Supremacy of the Community Declaration.

In addition to all of the rights and obligations which have been conferred or imposed upon the Association pursuant to this Declaration, the Bylaws, and the Articles of Incorporation, the Association shall be entitled to exercise any of the rights conferred upon it and shall be subject to all of the obligations imposed upon it pursuant to the Community Declaration and the Bylaws of Bedford at Falls River Master Association, Inc. ("Community Bylaws"). The Association and all committees thereof shall also be subject to all superior rights and powers which have been conferred upon Bedford at Falls River Master Association, Inc. ("Community Association") pursuant to the Community Declaration and Community Bylaws. The Association shall take no action in derogation of the rights of, or contrary to the interests of the Community Association. All matters as to which there is disagreement shall be resolved in favor of the Community Association.

The provisions of the Governing Documents shall apply in addition to the provisions of the Community Declaration and the other documents referenced therein ("Community

Documents"). In the event of conflict between or among the provisions of the Governing Documents and the provisions of the Community Documents, the provisions of the Community Documents shall control. The foregoing priorities shall not prevent the adoption or enforcement of provisions in the Governing Documents which are stricter than those contained in the Community Documents.

Article II Concepts and Definitions

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

"Articles of Incorporation" or "Articles" shall mean the Articles of Incorporation of Bedford Commons Homeowners Association, Inc., as filed with the North Carolina Secretary of State.

"Association" shall mean Bedford Commons Homeowners Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

"Bedford Commons" shall mean the real property described on Exhibit "A" to this Declaration, together with such additional property as is hereafter submitted to the terms of this Declaration by Supplemental Declaration in accordance with Article IX.

"Board of Directors" or "Board" shall be the body selected as provided in the Bylaws to administer the affairs of the Association, generally serving the same role as a board of directors under North Carolina corporate law.

"Bylaws" shall mean the Bylaws of Bedford Commons Homeowners Association, Inc. attached to this Declaration as Exhibit "D," as such may be amended from time to time.

"Builder": Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers, or who purchases one or more parcels of land within Bedford Commons for further subdivision, development, and/or resale in the ordinary course of such Person's business.

"Class "B" Control Period" shall mean the period of time during which the Class "B" member is entitled to appoint a majority of the members of the Board of Directors, as provided in the Bylaws.

"Common Area" shall mean any and all real and personal property, including private streets and common driveways, which the Association now or hereafter owns, leases or otherwise holds for the common use and enjoyment or benefit of the Owners and any easements held for such purpose.

"Common Assessment" shall mean assessments levied against all Units in Bedford Commons to fund Common Expenses.

"Common Expenses" shall mean the expenses anticipated or incurred by the Association for the general benefit of all Owners, as the Board may find necessary and appropriate pursuant to this Declaration, the Bylaws, and the Articles, but shall not include any expenses incurred during the Class "B" Control Period for initial development, original construction or installation of infrastructure, original capital improvements, or other original construction costs unless approved by Members representing a majority of the total Class "A" votes in the Association.

"Community" shall mean the real property submitted to the terms of the Declaration for Bedford at Falls River, as it may be amended and supplemented from time to time.

"Community Association" shall mean Bedford at Falls River Master Association Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

"Community Declaration" shall mean the Declaration for Bedford at Falls River, executed by Brandywine of Virginia, L.L.C., and recorded in the office of the Register of Deeds of Wake County, North Carolina in Book 9366, Page 895, as amended in Book 9538, Page 2516 and Book 9776, Page 2516.

"Community-Wide Standard" shall mean the standard of conduct, maintenance, or other activity generally prevailing in Bedford Commons or in the Community, whichever is higher. Such standard may be more specifically determined by the Community Association and by the Board of Directors, but shall be consistent with the Community-Wide Standard existing as of the termination of the Class "B" Control Period.

"Declarant" shall mean D. R. Horton Inc., a Delaware corporation, or its successors, successors-in-title or assigns who take title to any portion of the property described on Exhibits "A" or "B" for the purpose of development or sale and are designated as the Declarant hereunder in a recorded instrument executed by the immediately preceding Declarant.

"Developer" shall mean Brandywine of Virginia, L.L.C., a Virginia limited liability company.

"Governing Documents": A collective term referring to this Declaration and any applicable Supplemental Declaration, the Bylaws, the Articles, the Design Guidelines, and the Use Restrictions and Rules, as they may be amended.

"Member" shall mean a Person entitled to membership in the Association, as provided herein.

"Mortgage" shall mean a mortgage, a deed of trust, a deed to secure debt, or any other form of security deed.

"Mortgagee" shall mean the holder of a Mortgage.

"Owner" shall mean one or more Persons who hold the record title to any Unit, but excluding any party holding an interest in a Unit merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, then the purchaser (rather than the fee owner) will be considered the Owner. If a Unit is subject to a written lease with a term in excess of one year and the lease specifically so provides, then upon filing a copy of the lease with the Board of Directors the lessee (rather than the fee owner) will be considered the Owner for the purpose of exercising all privileges of membership in the Association.

"Person" means a natural person, a corporation, a partnership, a trustee, or any other legal entity.

"Public Records": The public records of Wake County, North Carolina.

"Special Assessment" shall mean assessments levied in accordance with Section 8.2 of this Declaration.

"Supplemental Declaration" shall mean an amendment or supplement to this Declaration, executed or consented to by Declarant, which submits additional property to this Declaration, or imposes, expressly or by reference, additional restrictions and obligations on the land described in such Supplemental Declaration. The term shall also refer to any instrument recorded by the Association pursuant to Section 9.2 of this Declaration to submit additional property to the terms of this Declaration.

"Unit" shall mean each separately numbered lot, whether improved or unimproved, shown on a subdivision plat of any portion of Bedford Commons and intended for development, use, and occupancy as a residence for a single family, together with any structures and improvements thereon. The ownership of each Unit shall include, and there shall pass with each Unit as an appurtenance thereto, whether or not separately described, membership in the Association.

PART TWO: CREATION AND MAINTENANCE OF SUBDIVISION STANDARDS

The standards for occupancy, use, conduct, maintenance, and architecture within Bedford Commons give it a unique identity while upholding the community-wide standards of the Bedford at Falls River community. This Declaration establishes procedures for addressing these standards as a dynamic process, allowing them to evolve as the Bedford Commons Subdivision changes and grows and as technology, public perception and applicable law change.

Article III Use and Conduct

3.1. Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for Bedford Commons, a framework of affirmative and negative covenants, easements and

restrictions which govern the property within Bedford Commons. However, within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends and technology which inevitably will affect Bedford Commons, its Owners and residents. Toward that end, this Article establishes procedures for modifying and expanding the initial Use Restrictions and Rules set forth on Exhibit "C."

3.2. Rule Making Authority.

(a) Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create exceptions to, or expand the Use Restrictions and Rules. The Board shall send notice by mail to all Owners concerning any such proposed action at least five business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Such action shall become effective, after compliance with subsection (c) below, unless disapproved at a meeting by Members representing more than 50% of the total Class "A" votes in the Association and by the Class "B" Member, if any. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon receipt of a petition of the Members as required for special meetings in the Bylaws. Upon receipt of any such petition prior to the effective date of any Board action under this Section 3.2(a), the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

(b) Alternatively, the Members, at an Association meeting duly called for such purpose, may adopt rules which modify, cancel, limit, create exceptions to, or expand the Use Restrictions and Rules by a vote of Members representing more than 50% of the total Class "A" votes in the Association and the approval of the Class "B" Member, if any.

(c) At least 30 days prior to the effective date of any action taken under subsections (a) or (b) of this Section, the Board shall send a copy of the new rule or explanation of any changes to the Use Restrictions and Rules to each Owner specifying the effective date. The Association shall provide, without cost, a copy of the Use Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(d) Nothing in this Article shall authorize the Board or the Members to modify, repeal or expand the Design Guidelines. In the event of a conflict between the Design Guidelines and the Use Restrictions and Rules, the Design Guidelines shall control.

3.3. Owners' Acknowledgment and Notice to Purchasers.

All Owners are given notice that use of their Units and the Common Area is limited by the Use Restrictions and Rules as they may be amended, expanded and otherwise modified hereunder. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and

enjoyment and marketability of his or her Unit can be affected by this provision and that the Use Restrictions and Rules may change from time to time. All purchasers of Units are on notice that the Association may have adopted changes to the Use Restrictions and Rules. Copies of the current Use Restrictions and Rules may be obtained from the Association.

3.4. Protection of Owners and Others.

No rule shall be adopted in violation of the following provisions, except as may be specifically set forth in this Declaration (either initially or by amendment) or in the initial Use Restrictions and Rules set forth on Exhibit "C":

(a) Similar Treatment. Similarly situated Owners shall be treated similarly.

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

No rules shall regulate the content of political signs; however, rules may regulate the time, place and manner of posting such signs (including design criteria).

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

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

(e) Alienation. No rule shall prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit; provided, the Association or the Board may require a minimum lease term of up to 12 months. The Association may require that Owners use lease forms approved by the Association, but shall not impose any fee on the lease or transfer of any Unit greater than an amount reasonably based on the costs to the Association of administering that lease or transfer.

(f) Abriding Existing Rights. If any rule would otherwise require Owners to dispose of personal property which they maintained in or on the Unit prior to the effective date of

such rule, or to vacate a Unit in which they resided prior to the effective date of such rule, and such property was maintained or such occupancy was in compliance with this Declaration and all rules previously in force, such rule shall not apply to any such Owners without their written consent.

(g) Reasonable Rights to Develop. No rule or action by the Association or Board shall unreasonably impede the Declarant's right to develop the property within Bedford Commons.

The limitations in subsections (a) through (g) of this Section 3.4 shall only limit rulemaking authority exercised under Section 3.2; they shall not apply to amendments to this Declaration adopted in accordance with Article XVI.

Article IV Architecture and Landscaping

4.1. Applicability.

So long as the Declarant has any rights with respect to or authority over architectural matters under the Declaration (as provided in Section 4.4(a) below), the provisions of this Article shall apply only to the extent that the Declarant expressly delegates a portion of its authority under the Declaration to the architectural review committee described in this Article. This Article shall not apply to the activities of the Declarant or its affiliates, nor to construction of improvements or modifications to property by or on behalf of the Association. This Article may not be amended without the Declarant's written consent so long as the Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

4.2. General.

Except as set forth in Section 4.1, no staking, clearing, excavation, grading, or other site work; no construction, erection, placement or installation of structures, improvements, or landscaping; no exterior alteration or modification of existing structures, improvements, or landscaping, and no removal of plants, trees, or shrubs; (collectively, "Work") shall take place within Bedford Commons except in strict compliance with this Article.

All structures constructed within Bedford Commons shall be designed by and built in accordance with the plans and specifications of a licensed architect, unless otherwise approved pursuant to this Article.

4.3. Architectural Review Committee.

Upon delegation by Declarant or upon expiration or termination of the Declarant's rights under the Declaration, the Association, acting through an architectural review committee appointed by the Board (the "ARC"), shall assume jurisdiction over architectural matters within Bedford Commons, to the extent of any such delegation, if delegated, and subject to the jurisdiction of the architectural review committee established pursuant to the Community

Declaration. The ARC, when appointed, shall consist of at least three, but not more than seven, persons who shall serve and may be removed and replaced in the Board's discretion. The members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board.

The ARC may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers or other professionals. The Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

4.4. Guidelines and Procedures.

(a) Design Guidelines. The Declarant or the ARC, upon assumption of jurisdiction hereunder, may prepare initial Design Guidelines to provide guidance to Owners and Builders regarding matters of particular concern in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions and compliance with the Design Guidelines does not guarantee approval of any application.

The Declarant shall have sole and full authority to amend the Design Guidelines as long as it owns any property within Bedford Commons or has a right to expand Bedford Commons pursuant to Section 9.1, notwithstanding a delegation of reviewing authority to the ARC, unless the Declarant also delegates such power to amend. Upon termination or delegation of the Declarant's right to amend, the ARC shall have the authority to adopt and amend the Design Guidelines with the consent of the Board. Any amendments to the Design Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Design Guidelines less restrictive. The Association shall make the Design Guidelines available to Owners and Builders who seek to engage in development or construction within Bedford Commons.

(b) Procedures. Prior to commencing any Work within the scope of this Article, an Owner shall submit to the ARC an application for approval of the proposed Work in such form as the Design Guidelines or the ARC may specify. Such application shall include plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Design Guidelines and the ARC may require the submission of such additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the ARC may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and

environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements.

The ARC shall make a determination on each application within 30 days after receipt of the completed application and all required information. The ARC may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

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

The ARC shall notify the applicant in writing of the final determination on any application within five days after the ARC's initial disapproval of such application, if disapproved, or as to any application initially approved by the ARC, within five days after the earlier of (i) receipt of notice of Declarant's veto or waiver thereof, or (ii) expiration of the ten-day period for veto by Declarant. In the event of disapproval, the ARC may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

In the event that the ARC fails to respond in a timely manner, approval shall be deemed to have been given, subject to the Declarant's right to veto such approval within ten days after written notice from the applicant to the Declarant of the ARC's failure to respond in a timely manner. However, no approval, whether expressly granted or deemed granted pursuant to the foregoing, shall be inconsistent with the Design Guidelines unless a variance has been granted pursuant to Section 4.6. Notice from the applicant to the Declarant shall be deemed to have been given at the time the envelope containing the written notice is deposited with the U. S. Postal Service. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the Declarant.

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

The ARC may, by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

4.5. No Waiver of Future Approvals.

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

4.6. Variances.

The ARC may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the ARC from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

4.7. Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Bedford Commons but shall not create any duty to any Person. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and the ARC shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwelling are of comparable quality, value or size or of similar design. Neither the Declarant, the Association, the Board, any committee, or member of any of the foregoing shall be held liable for soil conditions, drainage or other general site work, nor for any defects in plans revised or approved hereunder, nor for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Unit. In all matters, the ARC and all persons comprising the ARC shall be defended and indemnified by the Association as provided in the Articles of Incorporation.

4.8. Certificate of Compliance.

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

4.9. Additional Requirements.

Unless jurisdiction is expressly delegated by the Declarant and the Community Association, the Design Guidelines and review procedures set forth in this Article shall be in addition to, and not in lieu of, the design guidelines and architectural review procedures and standards established pursuant to the Community Declaration. Approval of an application by the ARC shall not require the architectural review committee of the Community Association to approve such application and approval of an application by the architectural review committee of the Community Association shall not require the ARC to approve such application. In the case of any inconsistency in the standards and requirements imposed by the Persons having jurisdiction, the more stringent requirements and standards shall control.

Article V Maintenance and Repair

5.1. Association's Responsibility.

Except as may be provided below, the Association shall maintain and keep in good repair the Common Area and all landscaping, flora, structures and improvements situated on the Common Area. In addition, the Association shall be responsible for maintenance, repair and replacement, subject to any insurance then in effect, of portions of Units as specifically provided herein. Any maintenance of Units which is not specifically assigned to the Association shall be the responsibility of the Owner. The Association shall provide maintenance for the Units as follows:

(a) all landscaping originally installed by Declarant, a Builder or the Association. The Association's responsibilities with respect to maintenance of such landscaping shall be limited to cutting of grass, trimming and replacement of trees, shrubs, hedges, bushes, flowers, and other plantings, from time to time as reasonably necessary or appropriate. The Association shall also be responsible for irrigation of such landscaping. Owners shall not alter such landscaping or landscaping equipment, unless such alteration is approved by the Architectural Review Committee, and shall not interfere with the Association's landscaping activities; and

(b) cleaning, repairing, and repainting the exterior surface material of each townhome dwelling, including stucco, wood, and trim. Except for windows and doors, the Association shall maintain all exterior building surfaces, sheathing, and shingles within the Bedford Commons. The Association shall maintain sidewalks, landings, stoops, and overhangs to the dwellings. The Association shall maintain the exterior roofing surface (e.g., shingles, decking, and other surface

roofing materials) and gutters; provided, all other portions of the roof systems, and any vents, fans, plumbing stacks, or other items attached to the roof and serving a single dwelling shall remain a part of the dwelling and be the maintenance responsibility of the Owner. The Association shall maintain the fences installed as original construction on the rear portion of the dwelling, if any. Doors and windows shall be the Owner's responsibility unless the Board determines otherwise;

(c) the Association shall have the right, but not the obligation, from time to time as determined by the Board, in its sole discretion, to make reasonable modifications to the arrangements for maintaining Unit landscaping and landscaping equipment, maintaining the exterior of dwellings, and obtaining and maintaining insurance as required herein; and

(d) the Association shall not be liable to any Owner, or any Owner's Occupant, guest, or family for any damage or injury caused in whole or in part by the Association's failure to discharge its responsibilities under this Section 5.1 where such damage or injury is not a foreseeable, natural result of the Association's failure to discharge its responsibilities. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or perform some function required to be taken or performed by the Association under this Declaration, or for inconvenience or discomfort arising from the making of repair or improvements which are the responsibility of the Association. The Association shall repair incidental damage to any unit resulting from performance of work which is the responsibility of the Association.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

Except as otherwise specifically provided in this Declaration, all costs associated with the maintenance responsibilities of the Association shall be a Common Expense to be allocated among all Units as part of the Common Assessment.

The Association shall perform its maintenance responsibilities hereunder in a manner consistent with the Community-Wide Standard established pursuant to the Declaration. If the Association fails to perform its maintenance responsibilities as required in this Declaration, the Declarant or the Community Association may perform such maintenance and shall be entitled to recover from the Association the costs of performing such maintenance. Upon the Association's failure to pay, the Community Association, by resolution of its board of directors, may assess all such costs against the Units and their Owners as a Subdivision Assessment pursuant to the Community Declaration.

5.2. Owner's Responsibility.

Except as provided in Section 5.1 above, all maintenance and repair of a Unit, including, but not limited to, all improvements on the Unit, including, without limitation, the items listed below, shall be the responsibility of the Owner thereof. Such maintenance shall be performed consistent with the Community-Wide Standard. If any Owner fails properly to perform his or her

maintenance responsibility, the Association may perform such maintenance and assess all costs incurred by the Association against the Unit and the Owner thereof in accordance with Section 8.2(b) of this Declaration. Except when entry is required due to an emergency situation, the Association shall afford the Owner reasonable notice of needed maintenance or repairs and an opportunity to cure the problem prior to entry onto the Unit.

(a) Owners shall be responsible for maintaining all doors (including garage doors, if any) and windows, including frames, sills, hardware, and screens.

(b) All fixtures and equipment installed within the townhome dwelling, commencing at a point where the utility line, pipe, wire, conduit, or systems enter the exterior wall.

(c) Any private utility systems, component or item, outside of the exterior wall which serves a single townhome dwelling, including, without limitation, air conditioning compressors.

(d) Any deck, patio, porch, balcony, or courtyard appurtenant to a townhome dwelling.

(e) Any driveway serving the Unit.

(f) Any landscaping or other items installed by the Owner to the building exterior (subject to the approval of the Architectural Review Committee). Any additional landscaping planted by an Owner shall be maintained by such Owner and its successors at its expense.

(g) Each wall, fence, driveway, or similar structure built as part of the original construction on the Units which serves and/or separates any two adjoining Units constitutes a party structure. To the extent not inconsistent with the provisions of Section , the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who make use of the party structure. If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners thereafter use the structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

5.3. Responsibility for Repair, Replacement and Insurance.

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

By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry blanket "all-risk" property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible. The casualty insurance shall cover loss or damage by fire and other hazards commonly insured under an "all-risk" policy, if reasonably available, including vandalism and malicious mischief, and shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. If all-risk coverage is not reasonably available, Owners shall obtain, at a minimum, fire and extended coverage. The policy shall name the Association as an additional insured.

The policies required hereunder shall be in effect at all times. Authority to adjust losses under policies obtained by an Owner shall be vested in the Owner. The losses under policies obtained by an Owner shall be vested in the Owner. The Association shall have the right, but not the obligation, at the expense of the Owner, to acquire the insurance required to be maintained by the Owner if the Owner fails to provide a valid policy to the Association with a prepaid receipt within ten (10) days after receipt by the Owner of a written request from the Association. If the Association acquires insurance on behalf of any Owner, the cost thereof shall be assessed against the Owner and the Lot as a Special Assessment.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

PART THREE: GOVERNANCE AND ADMINISTRATION

Bedford Commons Homeowners Association, Inc. has been established as the mechanism by which each owner is able to support and participate in the governance and administration of Bedford Commons. While many powers and responsibilities are vested in the Association's board of directors, some decisions are reserved for the Association's membership -- the owners of property in Bedford Commons.

Article VI The Association and its Members

6.1. Function of Association.

The Association shall be the entity responsible for management, maintenance, operation and control of the Common Area. The Association also shall be the primary entity responsible for enforcement of the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and the laws of the State of North Carolina.

6.2. Membership.

Every Owner, as defined in Article II, shall be a member of the Association. However, there shall be only one membership per Unit. In the event that there is more than one Owner of a

Unit, the rights and responsibilities of such membership shall be shared as provided herein. The rights and privileges of membership may be exercised by a Member or the Member's spouse, subject to the provisions of this Declaration and the Bylaws. The membership rights of a Unit owned by a corporation or partnership shall be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary, subject to the provisions of this Declaration and the Bylaws.

6.3. Voting.

The Association shall have two classes of membership, Class "A" and Class "B", as follows:

(a) Class "A". Class "A" Members shall be all Owners with the exception of the Class "B" Member, if any.

Class "A" Members shall be entitled to exercise one equal vote for each Unit of which they are an Owner, except that there shall be only one vote per Unit. If there is more than one Owner of a Unit, the vote for such Unit shall be exercised as all of its Owners determine among themselves and advise the Secretary of the Association in writing prior to the votes being counted. In the absence of such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

(b) Class "B". The Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to disapprove actions taken under this Declaration and the Bylaws, are specified elsewhere in the Declaration and the Bylaws. The Class "B" Member shall be entitled to appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in Article III of the Bylaws. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board of Directors and any committee as provided in the Bylaws. The Class "B" membership shall terminate upon the earlier of:

(i) two years after expiration of the Class "B" Control Period pursuant to Article III of the Bylaws; or

(ii) when, in its discretion, the Declarant so determines.

Upon termination of the Class "B" membership, the Declarant shall be a Class "A" Member entitled to Class "A" votes for each Unit which it owns.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

(a) The Association, through action of its Board, may acquire, hold, and dispose of tangible and intangible personal property and real property.

(b) So long as the Declarant owns any property described on Exhibits "A" or "B," the Declarant and its designees may convey to the Association personal property and fee title, leasehold or other property interests in any real property, improved or unimproved, described on Exhibits "A" or "B." The Association shall accept and maintain such property at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association. Upon written request of Declarant, the Association shall reconvey to Declarant any unimproved property within Bedford Commons originally conveyed by Declarant to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

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

7.2. Operation of Common Area.

The Association shall maintain the facilities and equipment within the Common Area in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless approved by Members representing 75% of the Class "A" votes in the Association and by the Declarant, as long as the Declarant owns any property described on Exhibits "A" or "B" of this Declaration.

7.3. Contracts, Agreements, and Covenants.

The Association, through the Board, shall be authorized to enter into contracts, maintenance agreements, agreements regarding the unit inspection program described in Section 5.1 hereof, covenants to share costs or other similar agreements on behalf of itself and the Owners with other associations (including, without limitation, the Community Association) or similar entities, including, without limitation, agreements or covenants which shall provide that the Association shall contribute toward the cost of maintaining property and facilities which are not part of Bedford Commons but which benefit the Association and the Owners, such as property and facilities subject to easements which benefit Bedford Commons and the Owners.

7.4. Insurance

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

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area to the extent that Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies

obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

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

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

(iv) Directors and officers liability coverage;

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

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

Premiums for all insurance on the Common Area shall be a Common Expense.

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

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

All insurance coverage obtained by the Board shall:

(i) be written with a company authorized to do business in the State of North Carolina which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies covering any portion of a Unit shall be for the benefit of the Owners and their Mortgagees, as their interests may appear;

(iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement;

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause;

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area or membership in the Association;

(vii) provide a waiver of subrogation under the policy against any Owner or household member of a Owner;

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

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

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

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

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

(iii) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

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

(v) a cross liability provision; and

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

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

Damaged improvements on the Common Area shall be repaired or reconstructed unless Members representing at least 75% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

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

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by the Association for the benefit of its Members and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall.

7.5. Compliance and Enforcement.

Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents after notice and a hearing in accordance with the procedures set forth in the Bylaws. Such sanctions may include, without limitation:

(a) imposing reasonable monetary fines which shall constitute a lien upon the violator's Unit. (In the event that any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(b) suspending an Owner's right to vote;

(c) suspending any Person's right to use any recreational facilities within the Common Area; provided, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;

(d) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(e) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation;

(f) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit in violation of Article IV and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

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

(h) levying Special Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Governing Documents.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the notice and hearing procedures set forth in the Bylaws:

(a) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations)

(b) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may record a notice of violation in the Public Records or perform such maintenance responsibilities and assess all costs incurred by the

Association against the Unit and the Owner as a Special Assessment. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

The Association shall not be obligated to take any action if the Board reasonably determines that the violation is of such a nature as not to be objectionable to a reasonable person, or is not substantial or material enough to justify expending the Association's resources, or that the Association's legal position is not strong enough to justify taking enforcement action. Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or estop the Association from enforcing any other covenant, restriction or rule.

The Association, by contract or other agreement, may enforce applicable local and state laws and ordinances, and shall permit governmental bodies to enforce their respective laws and ordinances within Bedford Commons for the benefit of the Association and its Members.

7.6. Implied Rights; Board Authority.

The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

7.7. Security.

Each Owner and occupant of a Unit, and each person entering Bedford Commons, shall be responsible for their own safety and the security of their own property within Bedford Commons. The Association may, but shall not be obligated to, maintain or support certain activities within Bedford Commons designed to add to or enhance such safety and security. However, neither the Association, the Declarant, its affiliates, nor any successor Declarant shall in any way be considered insurers or guarantors of safety or security within Bedford Commons, nor shall any of them be held liable for any injury, loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representations are made nor warranties given that any such system or measures will in all cases provide the detection or protection for which they are designed or implemented and all such warranties, expressed or implied, including any warranty of merchantability or fitness for any particular purpose, are hereby expressly disclaimed.

7.8. Provision of Services.

The Association shall be authorized but not obligated to enter into and terminate, in the Board's discretion, contracts or agreements with other entities, including Declarant, to provide services to and facilities for the Members of the Association and their guests, lessees and invitees and to charge use and consumption fees for such services and facilities. By way of example, some services and facilities which might be offered include landscape maintenance, pest control service, cable television service, security, caretaker, transportation, fire protection, utilities, and similar services and facilities.

Article VIII Association Finances

8.1. Budgeting and Allocating Common Expenses.

At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year. The budget shall include any contributions to be made to a reserve fund for repair and replacement of capital assets, based upon a separate reserve budget which takes into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount to be generated through the levy of Common Assessments and Special Assessments against the Units.

The Association is hereby authorized to levy Common Assessments equally against all Units subject to assessment under Section 8.3 to fund the Common Expenses. In determining the Common Assessment rate per Unit, the Board may (but shall not be required to) consider any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.

So long as the Declarant has the right unilaterally to annex additional property pursuant to Article X, the Declarant may, but shall not be obligated to, reduce the Common Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 9.4(b), which may be either a contribution, an advance against future assessments due from the Declarant or a loan, in the Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget and shall be made known to the Members. The payment of such subsidy in any year shall not obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

No later than 30 days after the Board has adopted the budget the Board shall send a summary of the budget to each Owner, together with notice of the amount of the Common Assessment to be levied pursuant to such budget, and notice of a meeting to consider ratification of budget which includes a statement that the budget may be ratified without a quorum being present. Such meeting shall be held not less than ten nor more than 60 days after mailing of the

summary and the notice. There shall be no requirement that a quorum be present at the meeting. The budget shall be deemed ratified at the meeting unless disapproved by Members representing at least 67% of the total Class "A" votes in the Association and by the Class "B" Member, if such exists.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall constitute the budget for the current year until a new budget is determined.

The Board may revise the budget and adjust the Common Assessment from time to time during the year, subject to the notice requirements and the right of the Members to disapprove the revised budget as set forth above.

8.2. Special Assessments.

(a) Entire Membership. The Board may levy Special Assessments from time to time without Member approval so long as the total amount of such Special Assessments does not exceed Twenty-Five Thousand Dollars (\$25,000.00) in any one fiscal year. Any Special Assessment which causes the cumulative amount of Special Assessments to exceed this limitation in any one fiscal year shall be effective only if approved by the affirmative vote or written consent of Members representing at least a majority of the total Class "A" vote in the Association, and the affirmative vote or written consent of the Class "B" Member, if such then exists. Special Assessments pursuant to this paragraph shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved, if the Board so determines.

(b) Less Than All Members. The Association may levy a Special Assessment against any Member separately and against such Member's Unit to reimburse the Association for costs incurred in bringing such Member and his Unit into compliance with the provisions of the Governing Documents, as provided in Section 7.5. In addition, the Association may levy a Special Assessment against any Member and such Member's Unit to cover the costs of providing benefits, items or services to such Unit which are optional or are not provided to all Units.

8.3. Authority to Assess Owners; Time of Payment.

The Declarant hereby establishes and the Association is hereby authorized to levy assessments as provided for in this Article and elsewhere in the Governing Documents. The obligation to pay assessments shall commence as to each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Common Assessment levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a

Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Common Assessment shall be paid in quarterly installments.

If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may revoke the privilege of paying in installments, accelerate the amount due for a one year period from the date of delinquency, and require payment in full immediately. The amount of the assessments in the succeeding fiscal year which are collectable upon acceleration shall be equal to the current fiscal year's assessments plus ten percent of the current fiscal year's assessments, subject to adjustment when the actual assessment for the next fiscal year is determined.

8.4. Personal Obligation for Assessments.

(a) Obligation of Owners. Each Owner, by accepting a deed or entering into a recorded contract of sale for any Unit, is deemed to covenant and agree to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of ten percent per annum or such higher rate as the Board may establish, subject to the limitations of North Carolina law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall pay assessments based upon the budget then in effect, increased by ten percent as provided in Section 8.1, until a new assessment is levied, at which time the Association may retroactively assess any difference.

No Owner may exempt himself from liability for assessments by non-use of Common Area, abandonment of his Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

The Association shall, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee not to exceed \$50.00 for the issuance of such certificate.

(b) Declarant's Election to Fund Budget Deficits. Until the termination of the Class "B" Control Period, in lieu of paying regular assessments on its unsold Units, Declarant may elect to pay the difference between the amount of assessments levied on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal

year. However, the Declarant shall not be obligated to fund extraordinary expenses, such as excessive costs of snow removal due to unusually harsh weather, which could not reasonably have been anticipated at the time the budget was prepared. This obligation may be satisfied in the form of cash subsidy or by "in kind" contributions of services or materials, or a combination of these. The Association shall have a lien against all Units owned by the Declarant to secure the Declarant's obligations under this section, which lien shall have the same attributes and shall be enforceable in the same manner as the Association's lien against each Unit under Section 8.5. After termination of the Class "B" Control Period, the Declarant shall pay assessments on its unsold Units in the same manner as any other Owner.

8.5. Lien for Assessments.

The Association shall have a lien against each Unit to secure payment of delinquent assessments, as well as interest, late charges (subject to the limitations of North Carolina law), and costs of collection (including attorneys fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment, and judicial or nonjudicial foreclosure.

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

The sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner of the foreclosed Unit shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 8.3, including such acquirer, its successors and assigns.

PART FOUR: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to the developer in order to facilitate the smooth and orderly development of Bedford Commons and to accommodate changes in the master plan which inevitably occur as a community the size of Bedford Commons grows and matures.

Article IX Expansion of the Community

9.1. Expansion by Declarant.

Declarant may from time to time submit to the terms of this Declaration and the jurisdiction of the Association (i.e. "annex") all or any portion of the property described on Exhibit "B" by filing a Supplemental Declaration in the Public Records describing the property to be annexed. Such right shall expire at such time as all property described on Exhibit "B" has been annexed or December 31, 2023, whichever is earlier. Such annexation shall not require the consent of any Person other than the owner of such property, if not the Declarant. Declarant may assign its rights under this Section to any Person, provided that the assignee is the developer of at least a portion of the real property described on Exhibits "A" or "B" and that such assignment is memorialized in a written, recorded instrument executed by the Declarant.

The Declarant shall not be required to annex any additional property nor to develop any property which is annexed in any particular manner.

9.2. Expansion by the Association.

Subject to the consent of the owner thereof, the Association may annex real property other than that described on Exhibit "B," and following the expiration of the right in 9.1, any property described on Exhibit "B." Such annexation shall require the affirmative vote of the Members representing a majority of the Class "A" votes of the Association (other than those held by Declarant) present at a meeting duly called for such purpose and the consent of the Declarant, so long as Declarant owns property subject to this Declaration or which may be annexed in accordance with Section 9.1.

9.3. Filing of Supplemental Declaration.

Any annexation under this Article shall be accomplished by filing of record in the public records of Wake County, North Carolina, a Supplemental Declaration describing the property being annexed. Any such Supplemental Declaration shall be signed by the Declarant, if pursuant to Section 9.1, or by the President and the Secretary of the Association, if pursuant to Section 9.2, and by the owner of the property being annexed, and any such annexation shall be effective upon filing unless otherwise provided therein.

9.4. Condition of Annexation.

No property shall be made subject to this Declaration unless at the time it is made subject hereto it is subject to the Community Declaration.

Article X Additional Rights Reserved to Declarant

10.1. Withdrawal of Property.

The Declarant reserves the right to amend this Declaration, so long as it has a right to annex additional property pursuant to Section 9.1, for the purpose of removing any portion of the property within Bedford Commons which has not yet been improved with structures from the coverage of this Declaration, provided such withdrawal does not reduce the total number of Units then subject to the Declaration by more than ten percent. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Declarant.

10.2. Marketing and Sales Activities.

The Declarant and Builders authorized by Declarant may maintain and carry on upon portions of the Common Area such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model units, and sales offices. The Declarant and authorized Builders shall have easements for access to and use of such facilities.

10.3. Right to Develop.

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

Every Person that acquires any interest in any real property within Bedford Commons acknowledges that the development of the Community is likely to extend over many years, and agrees not to protest, challenge or otherwise object to (a) changes in uses or density of property outside Bedford Commons, or (b) changes in the master plan for development of the Community as it relates to property outside Bedford Commons.

10.4. Right to Approve Additional Covenants.

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

10.5. Right to Approve Changes in Community Standards.

No amendment to or modification of any Use Restrictions and Rules or Design Guidelines shall be effective without prior notice to and the written approval of Declarant so long as the Declarant owns property subject to this Declaration or which may be annexed in accordance with Section 9.1.

10.6. Right to Transfer or Assign Declarant Rights.

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

10.7. Exclusive Rights to Use Name of Development.

No Person shall use the name "Bedford Commons" or any derivative of such name in any printed or promotional material without the Declarant's prior written consent. However, Owners may use the name "Bedford Commons" in printed or promotional matter where such term is used solely to specify that particular property is located within Bedford Commons and the Association shall be entitled to use the words "Bedford Commons" in its name.

10.8. Termination of Rights.

The rights contained in this Article shall not terminate until the earlier of (a) 40 years from the date this Declaration is recorded in the Public Records, or (b) recording by Declarant of a written statement that all sales activity in the Community has ceased.

PART FIVE: PROPERTY RIGHTS WITHIN BEDFORD COMMONS

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

Article XI Easements

11.1 Easement of Enjoyment.

Every Owner shall have a right and nonexclusive easement of use, access and enjoyment in and to the Common Area, including any private streets and common driveways within Bedford Commons, subject to:

- (a) the provisions of the Governing Documents and any other applicable covenants and easements;

(b) any restrictions or limitations contained in any deed conveying such property to the Association;

(c) the right of the Board and the Members to adopt rules regulating the use of the Common Area, including rules limiting guest use of any amenities within the Common Area;

(d) the right of the Board to suspend use privileges as provided in Section 7.5;

(e) the right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area, subject to such approval rights as may be set forth elsewhere in this Declaration;

(f) the right of the Board to impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;

(g) the right of the Board to permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees and guests, upon payment of use fees established by the Board; and

(h) the right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

Any Owner may delegate his or her right of use and enjoyment to the members of his or her family, and social invitees, as applicable, subject to reasonable regulation by the Board and in accordance with procedures it may adopt. An Owner who leases his or her Unit shall be deemed to have assigned all rights to use and enjoy any amenities within the Common Area to the lessee of such Unit for the period of the lease.

11.2. Easements of Encroachment.

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

11.3. Easement for Utilities, Etc.

In addition to the easements set forth in the Community Declaration, Declarant hereby creates and grants to the Association and its designees (which may include, without limitation,

Wake County, North Carolina, and any utility), a perpetual, non-exclusive easement upon, across, over, and under all of the property within Bedford Commons (but not through a structure) to the extent reasonably necessary for the purpose of inspecting, maintaining, repairing and replacing utilities and infrastructure to serve Bedford Commons, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways and trails, drainage systems, street lights and signage within Bedford Commons.

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

11.4. Easements to Serve Additional Property.

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

11.5. Easements for Maintenance, Emergency and Enforcement.

The Declarant grants to the Association easements over the property within Bedford Commons as necessary to enable the Association to fulfill its maintenance responsibilities under this Declaration. The Association shall also have the right, but not the obligation, to enter upon any Unit (but not into a dwelling) for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforce the Governing Documents. Such right may be exercised by any member of the Board and its duly authorized agents and assignees, and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

11.6. Right of Entry.

The Association shall have the right, but not the obligation, to enter into any Unit to inspect in connection with a Unit inspection program, if any, as described in Section 5.1. This right may be exercised by the Association's Board of Directors, officers, agents, employees, managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be

in accordance with the terms and conditions of the Unit inspection program or during reasonable hours and after reasonable notice to the Owner of a date or schedule of entry.

In the event a program of Unit inspection is implemented as described in Section 5.1, each Owner shall be obligated to notify the Association as to when the Unit will be vacant for any period of time so that such a Unit inspection program may be conducted. Each Owner, by acceptance of a deed for any Unit, covenants and agrees to hold harmless the Association, any committees thereof, and the members of each, the Declarant and its affiliates, and any Association manager and employees, from any and all claims, damages, suits and costs (including, without limitation, attorney's fees) arising out of the operation of any such Unit inspection program.

11.7. Easement to Community Association.

The Developer, the Community Association and their respective directors, officers, agents, employees and independent contractors shall have a perpetual, nonexclusive easement to enter upon any portion of Bedford Commons for the purpose of performing or satisfying any agreements or contracts with the Association and the duties and obligations of the Community Association and the Developer as set forth in the Community Documents.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE BEDFORD COMMONS

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

Article XII Dispute Resolution and Limitation on Litigation

12.1. Consensus for Association Litigation.

Except as provided in this Section, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of 75% of the Members. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens), (b) the imposition and collection of assessments as provided in Article VIII hereof, (c) proceedings involving challenges to ad valorem taxation, or (d) counterclaims or cross-claims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is made by the Declarant or is approved by the percentages votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

Article XIII Mortgage Provisions

The following provisions are for the benefit of holders of first Mortgages on Units in Bedford Commons. The provisions of this Article apply to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

13.1. Notices of Action.

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

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

13.2. Actions Requiring Approval of Eligible Holders.

To the extent not inconsistent with North Carolina law:

- (a) Any restoration or repair of the Common Area after a partial condemnation or damage due to an insurable hazard shall be substantially in accordance with this Declaration and the original plans and specifications unless the approval is obtained of the Eligible Holders of first Mortgages on Units to which at least 51% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.
- (b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of Members representing at least 67% of the total Association vote and the approval of the Eligible Holders of first Mortgages on Units to which at least 51% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.
- (c) Any election to terminate the Association under circumstances, other than substantial destruction or a substantial taking in condemnation shall require the consent of

Members representing at least 67% of the total Association vote and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of the Eligible Holders of first Mortgages on Units to which at least 67% of the votes of Units subject to a Mortgage are allocated.

(d) Any material amendment to the Declaration, Bylaws, or Articles of Incorporation of the Association shall require the consent of Members representing at least 67% of the total Association vote and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of Eligible Holders of first Mortgages on Units to which at least 51% of the votes of Units subject to a Mortgage held by an Eligible Holder are allocated. An amendment which changes the provisions for any of the following shall be considered material:

- (i) voting rights;
- (ii) assessments, assessment liens, or subordination of such liens;
- (iii) reserves for maintenance, repair, and replacement of the Common Area;
- (iv) responsibility for maintenance and repair of the property within Bedford Commons;
- (v) rights to use the Common Area;
- (vi) boundaries of any Unit;
- (vii) annexation of property other than that described on Exhibit "B," or withdrawal of property other than as provided in Section 11.1;
- (viii) insurance or fidelity bonds;
- (ix) leasing of Units;
- (x) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey his or her Unit;
- (xi) establishment of self-management by the Association where professional management has been required by an Eligible Holder; or
- (xii) any provisions included in the Declaration, Bylaws, or Articles of Incorporation which are for the express benefit of holders, guarantors, or insurers of first Mortgages on Units.

13.3. Additional Requirements.

So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless two-thirds (2/3) of the first Mortgagees or Owners give their consent, the Association shall not:

(a) by act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit;

(c) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Units and of the Common Area (The issuance and amendment of architectural standards, procedures, rules, and regulations or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this subsection);

(d) fail to maintain fire and extended coverage insurance, as required by this Declaration; or

(e) use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

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

13.4. No Priority.

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

13.5. Notice to Association.

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

13.6. Amendments by Board.

Should the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation subsequently delete any of their respective requirements which necessitate the provisions of this Article or make any such requirements more or less stringent, the Board, without approval of the Owners, may cause an amendment to this Article to be recorded to reflect such change.

13.7. Applicability of Article XIV.

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

13.8. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

PART SEVEN: CHANGES IN BEDFORD COMMONS

Communities such as Bedford Commons are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. Bedford Commons and its governing documents must be able to adapt to these changes while protecting the things that make Bedford Commons special.

Article XIV Changes in Ownership of Units

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

Article XV Changes in Common Area

15.1. Condemnation.

Whenever all or any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Members representing at least 75% of the total Class "A" vote in the Association and of the Declarant, as

long as the Declarant owns any property described on Exhibits "A" or "B") by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice thereof. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking the Declarant, so long as the Declarant owns any property subject to the Declaration or which may be made subject to the Declaration in accordance with Section 9.1, and Members representing at least 75% of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.4(c) regarding funds for restoring improvements shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

15.2. Partition.

Except as may otherwise be permitted in this Declaration, there shall be no judicial partition of title to the Common Area, nor shall any Person bring any action for judicial partition of the Common Area. This Article shall not be construed to prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

15.3. Transfer or Dedication of Common Area.

Upon two-thirds (2/3) vote of the Board of Directors, the Association may dedicate portions of the Common Area to Wake County, North Carolina, or to any other local, state, or federal governmental entity.

Article XVI Amendment of Declaration

16.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until conveyance of the first Unit to a Person other than a Builder, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, the Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; or

(d) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing. In addition, so long as the Declarant owns property described on Exhibits "A" or "B" for development as part of Bedford Commons, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right specifically granted to the Owners hereunder without the consent of the affected Owners.

16.2 By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 75% of the total Class "A" votes in the Association, including 75% of the Class "A" votes held by Members other than the Declarant, and the consent of the Class "B" Member, so long as such membership exists. In addition, the approval requirements set forth in Article XIII shall be met if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

16.3. Validity and Effective Date.

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

No amendment to this Declaration which materially affects the rights or interests of the Community Association shall be valid unless approved in writing by the board of directors of the Community Association.

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

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

16.4. Exhibits.

Exhibits "A" and "B" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. Exhibits "C" and "D" are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

16.5. Capitalization of Association.

Upon acquisition of record title to a Unit by the first Owner other than Declarant or a Builder, a contribution of \$150 ("Initiation Fee") shall be made by or on behalf of the purchaser to the Association as set forth below. The Initiation Fee shall be in addition to, not in lieu of, any annual or special assessments. The Initiation Fee shall be payable at closing, shall not be prorated, and the Association shall have all rights under the Declaration for enforcement of assessments if it is not paid. The Initiation Fee shall be deposited into an account of the Association and disbursed from that account (a) \$_____ for expenses and costs of the Association in accordance with the Declaration and Bylaws, as amended, and (b) \$_____ of the Initiation Fee shall be held by the Association as a long term "Maintenance Reserve" to be disbursed by the Association for maintenance of any property which the Association is required or permitted to maintain, in its sole discretion. The Initiation Fee referred to in this paragraph is payable only one time, and will not be charged subsequent purchasers of a Unit once paid.

Article XVII Rights of Developer

Developer has contracted to sell to Declarant the Units described on Exhibit "A," as well other Units developed or to be developed on the real property described on Exhibit "B" (the "Exhibit B Property"). It is the intent of Developer and Declarant that the Units developed out of the Exhibit B Property will be subjected to the Declaration as they are purchased by Declarant from Developer. However, Developer and Declarant also acknowledge the following: (i) ordinances of the City of Raleigh or requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or other governmental agency or lender who provides governmental insured loans for dwellings on Units in Bedford Commons, may necessitate subjecting Units owned by Developer to the Declaration prior to their conveyance to Declarant; (ii) if, for any reason, Declarant does not purchase all the Units within Bedford Commons, Developer may need the ability to deal with those Units as if it were the Declarant under the Declaration; and (iii) Developer in developing Bedford Commons into Units to sell to Declarant, and in developing other portions of Bedford at Falls River (as that term is defined in the Community Declaration), may need certain rights to access and work in portions of Bedford Commons conveyed to the Association and may need to reserve easement over, under and through Common Area. Accordingly, Developer agrees to comply with the following obligations, and the following rights and easements are hereby granted to, or reserved by Developer, its successors and assigns, and, as specified herein, the future owners of any such Units, and are in addition to all other rights granted to or reserved by Developer in this Declaration.

17.1. Agreement to Subject Units to Declaration.

Developer agrees to subject the portion of the Exhibit B Property which is intended to be part of the Subdivision (as that term is defined in the Community Declaration) to the Declaration to the extent necessary to satisfy the requirements of the City of Raleigh, the Federal National Mortgage Insurance Association, the Federal Home Loan Mortgage Corporation, or other

governmental agency or lender who provides governmental insured loans for dwellings on Units in Bedford Commons.

17.2 Agreement to Convey Common Area.

Until such time as all portions of Bedford Commons owned by Developer and intended to be Common Area have been conveyed to the Association, the Developer agrees to convey to the Association such Common Area in a manner that will comply with the requirements of the Raleigh City Code for development of Bedford Commons and that will comply with the requirements of the Federal National Mortgage Insurance Association, the Federal Home Loan Mortgage Corporation, or other governmental agency or lender who provides governmental insured loans for dwellings on Units in Bedford Commons for the conveyance of Common Area to the Association. All such conveyances shall be made by Special Warranty Deed, subject to all rights of way, easements and restrictive covenants of record.

17.3 Developer's Assessments.

Until such time, if at all, that Developer becomes a Declarant under the Declaration, Developer and all Units owned by Developer, are exempt from all assessments under the Declaration and Developer shall have no votes in the Association, except with respect to any Units owned by Developer on which a dwelling has been constructed. Developer may become a Declarant under the Declaration with respect to the Units it owns by recording in the Wake County Registry one or Supplemental Declarations declaring itself to be a Declarant with respect to the Units described in the Supplemental Declaration. With respect to payment of any amounts under Article VIII, Section 8.4(b) of this Declaration, if there is more than one Declarant, and they agree to make such payments, each Declarant shall pay a fraction of the total amount due, the numerator of which shall be the number of Units owned by the respective Declarant and the denominator of which shall be the total number of Units owned by all the Declarants.

17.4 Developer's Right to Exchange Common Area.

In connection with its development of Bedford Commons, Developer shall have the right to exchange real property with the Association as provided herein, subject to the limitations of Section 10-3073 of the Raleigh City Code, or successor section.

17.5 Developer's Easements.

Developer, its agents and contractors, shall have all of the rights and easements of Declarant under the Declaration with respect to easements over, under and through the Common Area. For purposes of this Section, the term "Developer" shall also include any assignee of Developer or successor developer of any part or all of the Bedford at Falls River.

(a) The right to grant perpetual utility easements on, over, under, across and through the Common Area as may be reasonably necessary for development of Bedford Commons and/or other portions of Bedford at Falls River, and the Association shall, upon request, execute any such easement to permit recording of same. For purposes of this Article, "utility" or "utilities"

include, without limitation, water, sanitary sewer, storm water drainage, electricity, telephone, natural gas, cable television, greenway easements, and buffers required by City of Raleigh ordinances or other governmental laws, ordinances or regulations. Such easements may be granted by written instrument or plat, and may be publicly-dedicated or private easements. Insofar as reasonably practicable, and except for any portions thereof that by necessity must be at or above the surface of the ground, all utilities installed, used and maintained pursuant to such easements shall be underground. Unless specifically excluded therefrom, the grants of all such easements are deemed to include a right of ingress, egress and regress over and upon all portions of Common Area as reasonably required to facilitate the exercise of such easements, and the right to connect to existing utilities in the Common Area without payment of any charge or fee to any Person other than the applicable charges or fees required by the City of Raleigh or other governmental entity.

(b) The right to install, use and maintain in Common Area such utilities as may reasonably be required for development of Bedford Commons and/or other Portions of Bedford at Falls River, and the right to connect to existing utilities in the Common Area without payment of any charge or fee to any Person other than the applicable charges or fees required by the City of Raleigh or other governmental entity.

(c) The right to install, use and maintain Common Area signs, landscaping (including, without limitation, grass, plants, lighting, and irrigation), fencing and other decorative features in connection with the development of Bedford Commons.

(d) The right to construct, improve, repair, replace and maintain any and all private streets, driveways and alleys that constitute any part of the Common Area, in accordance with any requirements of the City of Raleigh, North Carolina or other governmental entity and/or in accordance with any contractual obligations of Developer to any person or legal entity.

(e) A non-exclusive right of pedestrian and vehicular ingress, egress and regress over and upon all Common Area for the purposes of exercising the rights and easements reserved by or granted to Developer under the Declaration, provided, however, that, with respect to vehicular ingress, egress and regress, to the extent reasonably practicable Developer shall use only those portions of the Common Area designed or designated for use by vehicles, such as private streets, driveways and alleys.

(f) A nonexclusive right and easement at all times to enter upon any portion of any easement to the extent necessary to gain access and maintain improvements and facilities in such easement and/or to exercise its rights as "Declarant" under the Community Declaration or as Developer or Declarant under this Declaration, and no such entry shall be deemed a trespass. To the extent practicable, the Developer shall give reasonable oral notice to the owner of the real property subject to the easement prior to exercising the rights specified in this subsection.

(g) The easements reserved for Developer in this Article shall exist and continue through the later of the end of the Development Period (as that term is defined in the Community Declaration) or the time when Developer has completed all of its obligations to the City of

Raleigh or any Owner of a Unit within the property described on Exhibits "A" and "B" to this Declaration (provided, however, that any easements granted by Developer pursuant to this Article shall exist and continue for the term granted by Developer). Developer also may terminate any part or all of said easement rights by recording in the Wake County, North Carolina Registry an easement termination document executed by Developer.

17.6. Easements for Certain Single-Family Detached Lots.

A perpetual, non-exclusive easement for vehicular and pedestrian ingress, egress and regress hereby is reserved and established for the owners of lots 178 through 183 as shown on the plat recorded in the Wake County, North Carolina Registry in Book of Maps 2003, Pages 197 through 199 (the "Plat", the lots and right of way of Bedfordtown Drive also being shown on a plat recorded in the Wake County, North Carolina Registry in Book of Maps 2002, Page 1348), and for their agents, contractors, family members, tenants, sub-tenants, invitees and licensees, over and upon all areas on the Plat designated as "Private R/W" (including, without limitation, the right of way of Banks Hill Row), and all areas on the Plat designated in whole or in part as "Private Access" (including, without limitation, those 20 foot wide areas immediately adjacent to the western boundaries of lots 178 through 183 as shown on the Plat), from such lots to and from the right-of-way of Bedfordtown Drive. The foregoing lots 178 through 183 are lots that are being developed by Developer for use as detached single-family residential lots that are not part of Bedford Commons, are not subject to the terms of this Declaration, and do not have direct driveway access to Bedfordtown Drive or other publicly dedicated street. In addition to the foregoing, Developer reserves the right, either by recording a "Supplemental Declaration" or other instrument, to reserve and establish the same type of non-exclusive easements for ingress, egress and regress with respect to other lots in Bedford at Falls River that are intended for use as detached single-family residential lots, do not have direct driveway access to a publicly dedicated street, and with respect to which vehicular access is necessary or desirable, as determined by Developer, over and upon private streets or rights of way, private drives, private access areas, and/or private alleys, in Bedford Commons (or over any other proposed Common Area in Bedford Commons that is intended for use by motor vehicles).

17.7. Amendments to this Article.

As long as the easements reserved for Developer in this Article exist and continue as provided herein, the provisions of this Article May not be amended without the written consent of Developer.

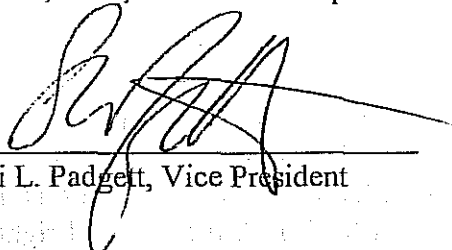
17.8. Compliance with Laws.

Developer's exercise of all rights and easements under this Article shall comply with all applicable governmental laws, ordinances and regulations.

IN WITNESS WHEREOF, the undersigned Declarant has caused this Declaration to be executed by its duly authorized representative this 3 day of June, 2003.

DECLARANT: D.R. HORTON, INC., a Delaware corporation

By:

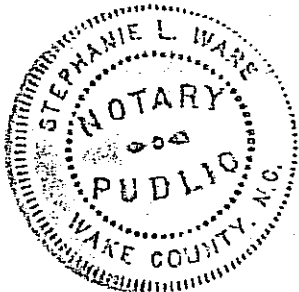

Shari L. Padgett, Vice President

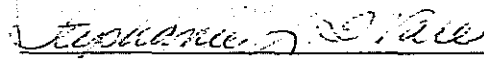
NORTH CAROLINA)

WAKE COUNTY)

I, Stephanie L. Ware, Notary Public, certify that Shari L. Padgett personally came before me this day and acknowledged that he is Vice President of D.R. Horton, Inc., a corporation, and that he as Vice President, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal this 3 day of June, 2003.




Notary Public

(Official Seal)

My Commission Expires: 10-06-08

JOINDER AND CONSENT OF DEVELOPER

The undersigned, being the developer pursuant to the Declaration for Bedford at Falls River, executed by Brandywine of Virginia, L.L.C., and recorded in the office of the Register of Deeds of Wake County, North Carolina, in Book 9366, Page 895, and amended in Book 9538, Page 2516 and in Book 9976, Page 2516, does hereby consent to and join in the execution of this Declaration for the purpose of evidencing its consent to this Declaration and its agreement to have the real property described on Exhibits "A" and "B" made subject to the terms of this Declaration as provided herein.

DEVELOPER:

BRANDYWINE, L.L.C., a Virginia
limited liability company, doing
business in North Carolina as
BRANDYWINE OF VIRGINIA, L.L.C.

By: _____

Name: William D. Benson

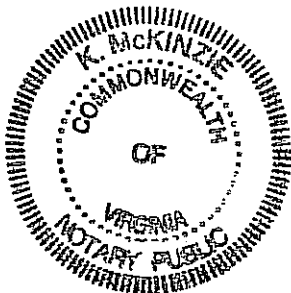
Title: Manager

STATE OF VIRGINIA)

COUNTY OR CITY OF Virginia Beach)

I, K. McKinzie, Notary Public of the County or City and State aforesaid, certify that William D. Benson, Manager, of Brandywine, L.L.C., a Virginia limited liability company, doing business in North Carolina as Brandywine of Virginia, L.L.C., personally appeared before me this day and acknowledged that s/he is Manager of said company and that s/he executed the Declaration on behalf of and as the act of the company by authority duly given.

Witness my hand and official stamp or seal this 25 day of July, 2003.



K. McKinzie
Notary Public

[SEAL]

My commission expires: 09-30-06

EXHIBIT "A"

Land Initially Submitted

ALL THAT TRACT OR PARCEL OF LAND lying and being in Neuse Township, Wake County, North Carolina, as more particularly described on that certain Bedford at Falls River – Map 16, Ph. 29, Subdivision, Right-of-Way and Easement Dedication, prepared by The John R. McAdams Company, Inc., under the professional seal of Miles O. McCall, III, R.L.S. No. L-3518, dated October 11, 2002, and recorded February 7, 2003, in the office of the Register of Deeds for Wake County, North Carolina, in Book of Maps 2003, at Page 197, *et seq.*

Such final plat has the metes and bounds set forth therein.

EXHIBIT "B"

Land Subject to Annexation

EXHIBIT "C"

Initial Use Restrictions and Rules

EXHIBIT "C"

Initial Use Restrictions and Rules

The following restrictions shall apply to Bedford Commons until such time as they are amended, modified, repealed or limited by rules of the Association adopted pursuant to Article IV of the Declaration, except that no such rules shall be inconsistent (more lenient than) the use restrictions and rules of the Community Association, as described in the Community Declaration, as they may be modified from time to time in accordance with the Community Declaration (the "Community Rules").

1. General. The properties within Bedford Commons shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association, and temporary business or sales offices for the Declarant and its affiliates, an information center, and similar purposes related to the development and sale of Units in Bedford Commons) as may more particularly be set forth in the Declaration and exhibits thereto, as it may be amended.

2. Incorporation of Use Restrictions and Rules of Community Association. The Community Rules are incorporated by this reference and shall apply to Bedford Commons as if fully set forth herein. In the event that the Community Rules are amended to rescind or repeal any of the Community Rules or otherwise to make them less restrictive, the Board shall have the power, in accordance with the procedures set forth in Article IV, to amend these Use Restrictions and Rules to restate the Community Rule here as part of these Use Restrictions and Rules.

3. Leasing of Units. "Leasing", for purposes of this Declaration, is defined as regular, exclusive occupancy of a Unit by any person or persons other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to a fee, service, gratuity, or emolument. Units may be leased only in their entirety. No rooms or portions of a Unit constituting less than the whole Unit may be leased. Units may be leased only one time during each calendar year unless otherwise approved by the Board. There shall be no subleasing of Units or assignment of leases except with the prior written consent of the Board of Directors. All leases and any renewals thereof shall be in writing and shall be for a term of no less than six months, except with the prior written consent of the Board of Directors. Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board by the Owner within ten days of execution of the lease. The Board, in its discretion, may require a security deposit from the Owner or lessee of the Unit. The Owner must make available to the lessee copies of the Governing Documents and the Community Documents.

4. Heating of Units in Colder Months. In order to prevent breakage of water pipes during colder months of the year resulting in damage to property within Bedford Commons, increased insurance premiums, or cancellation of insurance policies due to numerous damage claims, the thermostats within the Units shall be maintained with the heat in an "on" position and at a minimum temperature setting of fifty-five (55°) degrees Fahrenheit (except during power failures or periods when heating equipment is broken) during the months of October, November,

December, January, February, March and April whenever the temperature is forecast to or does reach thirty-two (32°) degrees Fahrenheit or below.

Owners and occupants of Units shall take all steps possible on a timely basis to keep heating equipment, including, but not limited to, the thermostat, in good working order and repair. At any time during the months specified above when the heating equipment is not working properly, the Owner or occupant shall immediately inform the Association of this failure of the equipment and of the time needed to repair the equipment.

Notwithstanding any provision in this Declaration or in the Bylaws to the contrary, the Board of Directors, without a prior warning, demand or hearing, may fine any Owner or occupant up to Five Hundred (\$500.00) Dollars or may cause the water service to the violator's Unit to be discontinued for violation of this subparagraph, in addition to any other remedies of the Association. Any fine imposed pursuant to this subparagraph shall be deemed an assessment against the Unit and may be collected in the same manner as provided herein for collection of assessments.

5. Antennas. No exterior antennas of any kind are permitted with the exception of:

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

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

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

(collectively, "Permitted Antennas") shall be permitted on Units, subject to such reasonable requirements as to location and screening as may be required pursuant to Article IV of the Declaration, consistent with applicable law, in order to minimize obtrusiveness as viewed from streets, Common Area, other Units, and adjacent property. Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of Copperleaf, should any master system or systems be utilized by the Association and require such exterior apparatus.