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REGISTER OF DEEDS
WAKE COUNTY

Prepared By and Hold For:

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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
GLENMITT STONE SUBDIVISION**

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CONDITIONS AND RESTRICTIONS
FOR
GLENMITT STONE SUBDIVISION**

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STATE OF NORTH CAROLINA
COUNTY OF WAKE

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
GLENMITT STONE SUBDIVISION**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR GLENMITT STONE SUBDIVISION is made this ____ day of December, 1994, by Thomas G. Finch and Betty D. Finch, hereinafter referred to as the "Declarant";

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain real property located in Wake County, North Carolina, as more particularly described on Exhibit "A" attached hereto and made a part hereof for all purposes;

WHEREAS, Declarant intends to subdivide said real property into a residential subdivision known as "Glenmitt Stone Subdivision", which subdivision of said real property may occur in one or more phases or sections, the first phase of which is that portion of said real property described on Exhibit "B" attached hereto and incorporated by reference (hereinafter referred to as the "Property");

AND WHEREAS, Declarant desires to provide for the protection, preservation and enhancement of the property values and amenities (if any) of the Property and for the maintenance of the Property and all improvements thereon, and in furtherance of said purposes desires to subject the Property to the easements, covenants, conditions and restrictions hereinafter stated, each and all of which is and are for the benefit of the Property and each owner of a portion thereof; and

AND WHEREAS, Declarant deems it desirable for the efficient preservation of the value and amenities (if any) in the Property and to promote as provided herein the recreation, health, safety and welfare of the residents in Glenmitt Stone Subdivision, to create an association to which should be delegated and assigned as provided herein the powers and duties of owning, maintaining and administering the Common Area and related facilities and appurtenances, and powers and duties to administer and enforce the terms and provisions of this Declaration, including, without limitation, collecting and disbursing the assessments and charges hereinafter stated; and in furtherance of the foregoing purposes Declarant intends to incorporate under the laws of the State of North Carolina relating to nonprofit corporations, the Glenmitt Stone Community Association, Inc.;

NOW, THEREFORE, Declarant hereby declares that all of the Property shall be held, sold and conveyed subject to the easements, covenants, conditions and restrictions as hereinafter stated, all of which shall run with the Property and all parts thereof and shall be binding on all parties having or acquiring any right, title or interest in the Property or any part thereof or interest therein and on their heirs, successors and assigns, and shall inure to the benefit of each owner of the Property or any part thereof or interest therein.

ARTICLE I**DEFINITIONS**

The following words when used in this Declaration or any Supplemental Declaration, as hereinafter defined, or amendment hereto (unless the context shall otherwise require) shall have the following meanings:

(a) "Articles" shall mean and refer to the Articles of Incorporation of the Association.

(b) "Association" shall mean and refer to the Glenmitt Stone Community Association, Inc., a North Carolina nonprofit corporation, and/or any surviving corporation resulting from merger of Glenmitt Stone Community Association, Inc. with another association as allowed in this Declaration.

(c) "Board" shall mean and refer to the Board of Directors of the Association.

(d) "Bylaws" shall mean and refer to the Bylaws of the Association as they may now or hereafter exist.

(e) "Common Area" or "Common Property" or "Common Open Space" (these terms being used interchangeably herein) shall mean and refer singularly or collectively, as applicable, to all real property and improvements thereon or associated therewith, which is/are owned or leased by the Association; easements granted to or reserved by or on behalf of the Association (or the Declarant for later transfer or assignment to the Association); and other real property which has been designated by Declarant as Common Area on a recorded plat, in a Supplemental Declaration, or in a deed or other written instrument, and also shall refer to all personal property owned or leased by the Association and designated as Common Area by the Declarant or the Association. The Common Area is for the common use, enjoyment or benefit of the Owners, and/or for the enhancement or protection of the Property or any part thereof, and may include, without limitation, active and passive recreational areas and facilities (but nothing herein shall require the Declarant or the Association to designate or use any part or all of the Common Area for recreational purposes or provide for any facilities for such use). All Common Area shall be subject to the terms and conditions of this Declaration. Common Area also may include, as determined by Declarant in its sole discretion, all water retention ponds and areas, if any, including all facilities, structures and improvements associated therewith, required to be constructed, repaired, replaced or maintained on or near the Property or any portion thereof by the laws, rules or regulations of any governmental authority having jurisdiction thereof and which is required to handle water runoff from any part or all of the Property.

Common Property also shall include, at such time as ownership of same is transferred to the Association by the Declarant, the wastewater collection system with pumps,

wastewater treatment works and/or disposal facilities, including, without limitation, pipes and connections (all of the foregoing being as more particularly described in the Permit (as defined herein) and hereinafter being referred to as the "Disposal System") that will be installed by Declarant to provide sewage disposal for the Lots in the Subdivision. The Association shall be obligated to accept transfer of ownership of the Disposal System from the Declarant, provided that at the time of the transfer the Disposal is in compliance with the permit issued by the Environmental Management Commission of the North Carolina Department of Environment, Health and Natural Resources (the "Commission", which term shall include any successor thereto or other agency or department assigned responsibility for management or oversight of sewage disposal systems under the laws of the State of North Carolina), compliance being as determined by the Commission, which permit incorporates the operational agreement (the "Operational Agreement") for the Disposal System between the Commission and the Declarant, said permit and Operational Agreement being referred to herein as the "Permit", and a copy of the Operational Agreement being attached hereto as Exhibit "C". Following transfer of ownership of the Disposal System to the Association, the Association shall be responsible for operating and maintaining, or providing for the operation and maintenance of the Disposal System in accordance with the requirements of the Permit and the Commission. Provided, following transfer of ownership of the Disposal System to the Association, nothing herein shall prohibit or limit the right of the Association to contract with a utility provider licensed by the State of North Carolina for the utility provider to operate and maintain the Disposal System.

(f) "Common Expenses" shall mean and refer to (i) expenses of administration, maintenance, improvement, repair or replacement of Common Area or Common Property and/or Landscaped Rights-of-Way and/or Roadway Medians, (ii) expenses declared to be or described as Common Expenses by the provisions of this Declaration, (iii) premiums for hazard, liability or other insurance as may be obtained by the Association; (iv) expenses for the operation and maintenance of the Disposal System, and (v) all other expenses incurred by the Association in carrying out its functions and duties under this Declaration.

(g) "Declarant" shall mean and refer to Thomas G. Finch and Betty D. Finch, their successors and assigns (in whole or in part). Any waiver that Declarant is allowed to grant by the terms of this Declaration shall be effective when duly executed by either or both of the two named Declarants.

(h) "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for Glenmitt Stone Subdivision as it may be amended and supplemented (by Supplemental Declarations) from time to time as herein provided.

(i) "Improvement" or "Improvements" shall mean and include all buildings, storage sheds or areas, roofed structures, decks, patios, parking areas, exterior recreational areas, recreational equipment and facilities, mailboxes, exterior antennae, dishes or other apparatus to receive or transmit television or radio or microwave or other signals, loading areas, fences, walls, hedges, mass plantings, poles, driveways, ponds, lakes, changes in grade or slope of a Lot, site preparation of a Lot, landscaping, exterior clotheslines, swimming pools, tennis courts, signs, exterior illumination, changes in any exterior color or shape and any other exterior construction or exterior structure or other exterior improvement which may not

be included in any of the foregoing. The definition of Improvements includes both original Improvements and all later changes and additions to Improvements.

(j) "Landscaped Rights-of-Way" shall mean the medians and other areas within public or private street rights-of-way within or adjoining the Property which are designated as Landscaped Rights-of-Way by Declarant.

(k) "Lot" shall mean and refer to any numbered or lettered plot of land which is part of the Property, is intended for single-family residential use and is shown on any plat in the office of the Register of Deeds, Wake County, North Carolina which Declarant has recorded, caused to be recorded or approved for recordation. Declarant hereby reserves the right to reconfigure, at any time and from time to time, without the consent of the Owners or Members of the Association, the boundaries of any Lot owned by the Declarant and to thereby reconfigure Lots, create additional Lots, eliminate existing Lots, create existing Common Area or reduce proposed Common Area not yet conveyed to the Association (provided that no such reduction violates any applicable ordinances of the Town of Cary or other governmental entity having jurisdiction over such Common Area). Declarant's exercise of this right shall be evidenced by the recording of a revised map of the affected Lot or Common Area. Upon the recording of any such revised map, each Lot shown on the previously recorded map that has been revised by the new map shall cease to be a "Lot" as defined herein and each revised Lot as shown on the new map shall be a "Lot" as defined herein.

(l) "Maintain", "Maintenance" or any substantially similar term used in this Declaration, when applied to a power or duty of the Association shall mean and include, without limitation, the construction, reconstruction, repair, replacement, improvement, operation and use of the improvement, Common Property, other property or other item which is the subject thereof.

(m) "Member" shall mean and refer to each Owner of a Lot who is a member of the Association as provided in this Declaration.

(n) "Owner" shall mean and refer to the owner of record as shown in the Wake County, North Carolina Registry, whether one or more persons or entities, of fee simple title to any Lot, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

(o) "Person" shall mean and refer to any individual, corporation, partnership, association, trust or other legal entity.

(p) "Property" shall mean the Property described on Exhibit A and any and all other Additional Property (as herein defined) hereinafter made subject to this Declaration by Supplemental Declaration or merger or consolidation as provided hereinbelow.

(q) "Roadway Medians" shall mean all areas within public or private street rights of way within or adjoining the Property that are not Landscaped Rights-of-Way and which have been designated as Roadway Medians by Declarant.

(r) "Subdivision" shall include the Glenmitt Stone Subdivision as shown on plats thereof recorded by or with the consent of the Declarant in the Wake County, North Carolina Registry. (It is contemplated by the Declarant that the Subdivision may be recorded on several maps, which may be recorded at different times and may show different phases of the Subdivision.)

ARTICLE II

PROPERTY

Section 1. Property Made Subject To Declaration. The Property and the Disposal System (including any real property owned by the Declarant at the time of the recordation of this Declaration that is not part of the Property but on which any part of the Disposal System is located) is hereby made subject to this Declaration and the Property shall be owned, held, leased, transferred, sold, mortgaged and/or conveyed by Declarant, the Association and each Owner subject to this Declaration and the terms, covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration.

Section 2. Annexation of Additional Property by Declarant. If within five (5) years of the date of recordation of this Declaration Declarant is the Owner of any real property which Declarant desires to subject to this Declaration (such real property being referred to herein as "Additional Property"), and which property either has been approved by the Town of Cary as part of the Subdivision, is contiguous to any part of the Property, or is real property on which any part of the Disposal System is located, it may do so by filing of record a "Supplemental Declaration" (herein so called) which shall extend this Declaration to such Additional Property; provided, however, that such Supplemental Declaration, as applied to the Additional Property covered thereby, may include such specific additional terms, covenants, conditions, restrictions, easements, charges and liens, not inconsistent with this Declaration, as may be set forth in such Supplemental Declaration.

Section 3. Annexation of Additional Property by Other Person. If within five (5) years of the date of incorporation of the Association a Person other than Declarant desires to subject real property (also referred to as "Additional Property") to this Declaration, such real property may only be subjected hereto by filing of record a Supplemental Declaration executed by the owner of such real property and the Declarant. Thereafter, if Declarant or any other Person desires to subject real property to this Declaration, such real property may only be subjected hereto if the owner thereof consents in writing and if subjection to this Declaration is approved by the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly

called meeting of the Association at which a quorum is present. Upon such affirmative vote, such Additional Property shall be subjected to this Declaration by the recordation in the Wake County, North Carolina Registry of a Supplemental Declaration signed by the owner of such Additional Property and the appropriate officers of the Association.

Section 4. Contents of Supplemental Declaration. Each Supplemental Declaration shall be effective upon recordation in the Wake County, North Carolina Registry, shall describe the lands annexed and shall incorporate the provisions of this Declaration, either by reference hereto or by fully setting out the provisions hereof. Such Supplemental Declaration need not be in any specific form (for example, it may be contained in a deed from Declarant conveying the real property being subjected to this Declaration), but shall clearly indicate the intention to subject the Additional Property to this Declaration. A Supplemental Declaration may contain such other terms and conditions, not inconsistent herewith, as the parties subjecting the Additional Property to this Declaration may agree upon. Nothing contained herein shall prohibit the owner of any Additional Property made subject to this Declaration by Supplemental Declaration from subjecting such Additional Property to other covenants, conditions and restrictions not inconsistent with the terms of this Declaration.

Section 5. Merger or Consolidation. Upon a merger or consolidation of the Association with another association which is a non-profit corporation composed of owners of residential real property (which merger or consolidation may occur under the provisions of applicable laws or the provisions of this Declaration, the Articles or the Bylaws not inconsistent with such applicable laws - the fact that this Declaration, the Articles or the Bylaws require a greater percentage of votes for approval of merger than the applicable laws is not inconsistent with said laws), the properties, rights and obligations of the Association may, by operation of the law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as the surviving corporation pursuant to a merger. The surviving or consolidated association shall be considered the Association and shall administer the terms and provisions of this Declaration and any applicable Supplemental Declaration affecting the portions of the Property in the jurisdiction of such Association, together with the covenants and restrictions established upon any other properties, as one scheme. The plan of merger or consolidation between the Association and any such other association may contain terms and provisions with respect to Common Property owned by the Association or such other association as may be approved by the Association and such other association in the votes authorizing the merger and, to the extent that such provisions may conflict with the provisions of this Declaration, the provisions contained in the approved plan of merger or consolidation shall control. No such merger or consolidation, however, shall effect any revocation, change or addition to the terms and provisions of this Declaration or any Supplemental Declaration pertaining to the Property or any portion thereof except as specifically provided in this Declaration.

Provided, no merger or consolidation can occur unless the surviving or consolidated association has the same duties and obligations with respect to the Disposal System as the Association has under this Declaration.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Each and every Owner of a Lot shall automatically become and be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot, and the Board may make reasonable rules relating to the proof of ownership of a Lot.

Section 2. Classes of Voting Members. Subject to the rights of Declarant reserved in Section 4 of this Article, the Association shall have two classes of voting membership as follows:

Class A. Class A Members shall be all Owners of Lots, with the exception of Declarant until such time as Declarant's Class B Membership is converted to Class A Membership as provided in this Article. A Class A Member shall be entitled to one (1) vote for each Lot owned by such Class A Member at the time notice is given of the particular meeting at which Class A membership votes are eligible to be cast. Provided, when two (2) or more Persons own or hold interests in any Lot, all such Persons shall be Class A Members, and the one (1) vote for such Lot shall be exercised as they, among themselves, determine (including the division thereof into fractional votes), but in connection with any particular vote no more than one Class A membership (1) vote shall be cast with respect to each Lot.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Lot owned by the Class B Member at the time notice is given of the particular meeting at which the Class B votes are eligible to be cast.

The Class B Membership shall terminate and be converted to Class A Membership upon the happening of the first to occur of the following:

(a) when the total votes outstanding in Class A Membership equal or exceed the total votes outstanding in Class B Membership. Provided, however, and notwithstanding anything to the contrary that may appear herein or in the Declaration, if at any time prior to January 1, 2000 the Class B Membership terminates for the foregoing reason and thereafter Declarant, either records in the Wake County Registry a map of additional Lots subdivided out of the Property or, pursuant to Section 2 of Article II of the Declaration, annexes Additional Property to the Declaration such that, following such map recordation or

annexation, if votes are allocated to the Lots owned by Declarant at the rate of three (3) votes per Lot Declarant's total outstanding votes exceed the total outstanding votes of the Class A Members, the Class B Membership shall be reinstated until such time as it again terminates due to one of the events of termination stated herein. Prior to January 1, 2000 or the voluntary termination of the Class B Membership by Declarant, whichever first occurs, there shall be no limitation on the number of times the Class B Membership may terminate and be reinstated in accordance with the provisions of this paragraph (a); or

(b) voluntary termination by Declarant; or

(c) January 1, 2000.

Section 3. Voting, Quorum and Notice Requirements. Except as may be otherwise specifically set forth in this Declaration, the Articles or the Bylaws, the vote of the majority of the aggregate votes entitled to be cast by all classes of the Members present, or represented by legitimate proxy, at a legally constituted (duly called) meeting of the Association at which a quorum is present, shall be the act of the Members with respect to the matter that is the subject of such vote. The number of votes required to constitute a quorum shall be as set forth herein or in the Bylaws. Notice requirements for all action to be taken by the Members of the Association shall be as set forth herein or in the Bylaws.

Section 4. Termination Of Membership. A Person's membership in the Association shall terminate automatically whenever such Person ceases to be an Owner, but such termination shall not release or relieve any such Person from any liability or obligation incurred under or in any way connected with the Association or this Declaration during the period of such Person's ownership of a Lot, or impair any rights or remedies which the Association or any other Member has with regard to such former Member.

ARTICLE IV

PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Owners' Easements of Enjoyment. Subject to the provisions of this Declaration (and subject to the provisions of any Supplemental Declaration which may be applicable and not inconsistent herewith), every Owner shall have a right and easement of use and enjoyment in and to the Common Area, which right and easement shall be appurtenant to and shall pass with the title to every Lot; PROVIDED, HOWEVER, such easement shall not give such person the right to make alterations, additions or improvements to any part of the Common Area. Subject to the terms of this Declaration and the Bylaws, any Owner may delegate such Owner's right of use and enjoyment in and to the Common Area to the members of such Owner's family, tenants or contract purchaser's who reside on the Owner's Lot, or to such Owner's guests.

Section 2. Title to the Common Area. At the time of recordation of this Declaration, or upon incorporation of the Association, whichever occurs last, Declarant shall convey to the Association (by deed without warranty at Declarant's option) fee simple title to all real property portions of the Common Area, if any, shown on any plat of any part or all of the Property recorded by Declarant prior to the recordation of this Declaration, which conveyance shall be free and clear of all encumbrances and liens other than the lien of current taxes and assessments not in default and utility easements, other easements and encumbrances (not constituting a lien to secure the payment of money) and mineral interests outstanding and of record in Wake County, North Carolina, and the terms and conditions of this Declaration and any applicable Supplemental Declaration. Declarant shall convey to the association other real property portions of the Common Area shown on any maps of part or all of the Property recorded subsequent to the recordation of this Declaration prior to the conveyance of the first Lot shown on any such map, such conveyance to be in accordance with and subject to the terms and conditions of this paragraph. Failure of the Declarant to convey any Common Area in accordance with this Section shall not void or adversely affect this Declaration, but the Declarant shall be under a continuing duty to convey such Common Area until such time as the conveyance has been completed. If the Declarant conveys any Common Area to the Association and thereafter, pursuant to the rights reserved by Declarant herein, revises the boundaries of such Common Area and any Lots adjoining such Common Area, the Declarant and the Association shall execute such documents as may be reasonably required by the Declarant to correct the boundaries of the Common Area and adjoining Lots in accordance with the revisions made thereto.

Section 3. Extent of Members' Easement. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) all provisions of this Declaration affecting such rights and easements, including those contained in this Article and not contained in this Article;

(b) the right of the Association to prescribe and enforce regulations governing the use, operation and maintenance of the Common Area (including limiting the number of guests of Members who may use the Common Area);

(c) subject to the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a meeting at which a quorum is present and which is duly called and held for the following purpose, the right of the Association to borrow money for the purpose of improving, repairing, replacing and maintaining the Common Area and facilities and/or the Landscaped Rights-of-Way and/or the Roadway Medians and in connection with such borrowing to mortgage the Common Area, provided the rights of such mortgagee in the Common Area shall be subordinate to the rights of the Owners hereunder (Note: the term "mortgage" when used in this Declaration also include a deed of trust and any other type of security interest in real or personal property);

(d) the right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure;

(e) the right of the Association to suspend the voting rights and right to use recreational facilities, if any, by an Owner for any period during which any assessment against such Owner's Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of the Association's published rules and regulations;

(f) the right of the Association to charge reasonable admission and other fees for the use of recreational facilities on the Common Area, if any;

(g) subject to the approval of any governmental entities or agencies whose approval is required therefor, the right of the Association to exchange portions of the Common Property with the Declarant for substantially equal (in acreage or value) portions of the Property for the purpose of eliminating unintentional encroachments of Improvements onto portions of the Common Property or to reconfigure the boundary lines between Lots and Common Property; and

(h) subject to the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting at which a quorum is present, the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and upon such conditions as the Board, or the Members who exercise the required affirmative vote (if the motion or resolution passed by such vote contains such conditions), may determine.

(i) easements for drainage, storm water control or removal, utilities, signs and other matters shown on recorded plats of the Common Area or created or reserved by Declarant prior to or simultaneously with conveyance of such Common Area by Declarant to the Association, and/or granted by the Association as permitted by this Declaration.

(j) subject to the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting at which a quorum is present, the right of the Association to lease, grant an easement in, over, under or upon, or transfer title to any part or all of the Common Area to another nonprofit corporation or association organized and existing, with respect to property owned by such corporation or association, for purposes substantially similar to the Association with respect to the Common Property. Upon the approval of the Board the Association may lease from such nonprofit corporation or association, or accept from such nonprofit corporation or association transfer of title of or an easement in, over, under and/or upon, any part or all of the property owned by such nonprofit corporation or association.

Section 4. Leases Of Lots. Any lease agreement between an Owner and a lessee for the lease of such Owner's Lot shall be in writing and provide that the terms of the lease

shall be subject in all respects to the provisions of this Declaration and the Articles and Bylaws of the Association, and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease.

Section 5. Ingress and Egress. Notwithstanding anything to the contrary appearing in this Declaration, if ingress and egress to any Lot is through any part of the Common Area, any conveyance or encumbrance of such part of the Common Area shall be subject to an easement for ingress and egress for such Lot over and upon such portion of the Common Area as is designated for ingress and egress (by a public or private street or right of way) and shown on a recorded plat of such Common Area or the Lot affected thereby or created or reserved by Declarant in an instrument recorded in the Wake County, North Carolina Registry.

ARTICLE V

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments. Subject to the terms and conditions of this Declaration, each Owner of a Lot, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, is hereby deemed to covenant and agree (and such covenant further shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot), to pay to the Association (or to any Person which may be designated by the Association to receive such monies on behalf of the Association): (i) annual assessments or charges, including assessments or charges for operation and maintenance of the Disposal System; (ii) special assessments for capital improvements or unusual or emergency matters or for matters related to the Disposal System; and (iii) special individual assessments levied against an Owner to reimburse the Association for extra costs for maintenance and/or repairs caused by the failure of such Owner to maintain such Owner's individual Lot and Improvements thereon, or for damage to or destruction of Common Area by the Owner or the Owner's guests, tenants, licensees, agents, or family members, all of such assessments and charges to be fixed, established and collected as hereinafter provided. The annual, special and special individual assessments, together with such interest and late charges thereon and costs of collection thereof (including, without limitation, reasonable attorney fees) as are hereinafter provided shall be a charge and continuing lien on the Lot against which each such assessment is made. Each such assessment, together with such interest and late charges thereon and costs of collection thereof (including, without limitation, reasonable attorney fees) as are hereinafter provided also shall be the personal and continuing obligation of the Owner of such Lot at the time when the assessment became due. An Owner's personal obligation for payment of such assessments shall not pass to such Owner's successors in title unless expressly assumed by them, but the lien against such Owner's Lot as established in this Declaration shall continue in effect (unless terminated as otherwise provided herein). No Owner shall be exempt from liability for any assessment provided for

herein by reason of non-use of such Owner's Lot or the Common Area. This Declaration shall, pursuant to Section 6-21.2 of the North Carolina General Statutes, constitute an evidence of indebtedness with respect to the obligation to pay each assessment provided for herein.

Section 2. Purpose and Use of Assessments. The assessments levied by the Association shall be used for the purposes of implementing and enforcing the terms and provisions hereof and of any Supplemental Declaration and promoting the health, safety, enjoyment and welfare of the Owners of Lots, and in particular, but without limitation, for the (i) improvement, use, operation, repair, replacement and maintenance of the Common Area (including operation and maintenance of the Disposal System), Landscaped Rights-of-Way and Roadway Medians and all improvements located therein or thereon; (ii) payment of premiums for hazard insurance in connection with the Common Area, the Roadway Medians and the Landscaped Rights-of-Way, and any improvements or facilities thereon; (iii) payment of public liability and other insurance of the Association; (iv) paying the costs of labor, equipment (including the expense of leasing any equipment) and material required for the Common Area, the Roadway Medians and Landscaped Rights-of-Way, and the improvement, maintenance, repair, replacement, management, protection, preservation, use and supervision thereof; (v) payment of all ad valorem taxes and public assessments levied on the Common Area owned by the Association; and (v) carrying out the purposes and duties of the Association as stated in its Articles and Bylaws and as stated in this Declaration.

Expenditures for the operation and maintenance of the Disposal System shall receive the highest priority after payment of expenses for taxes, insurance and obligations secured by any liens on the Common Property.

The Board shall establish and maintain a reserve fund specifically for the Disposal System (the "Disposal System Reserve Fund"), which Disposal System Reserve Fund is for maintenance of the Disposal System beyond the routine operation and maintenance expenses. A portion of each annual assessment shall be allocated to this Disposal System Reserve Fund as determined by the Board in its discretion.

In addition to the Disposal System Reserve Fund the Board in its discretion may establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvement of Improvements to or in the Common Property, Landscaped Rights-of-Way, Roadway Medians and those other portions of the Subdivision, if any, that the Association is obligated to maintain. Such reserve fund shall be established out of the funds collected through annual assessments.

All funds collected by the Association shall be treated as the separate property of the Association, and such funds may be applied by the Association for the purposes stated in this Declaration. As funds pursuant to any assessment are paid to the Association by any Owner, such funds may be commingled with funds paid to the Association by other Owners. Although all funds and assets of the Association shall be held for the benefit of the Members

of the Association as provided in this Declaration, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer, such Member's interest therein, except as an appurtenance to such Member's Lot. When any Owner shall cease to be a Member of the Association, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association or any portion thereof which may have been paid to the Association by such Owner or acquired with any funds paid to the Association by such Owner, as all funds which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used by the Association as provided in this Declaration.

Section 3. Maximum Annual Assessment and Annual Assessment. Through and including December 31, 1995, the maximum annual assessment shall be \$240.00 per year per Lot.

(a) The maximum annual assessment for the calendar year beginning January 1, 1996, and for successive calendar years thereafter, shall be established by the Board and may be increased by the Board without approval by the membership of the Association by an amount per year not to exceed the greater of (i) ten percent (10%) of the amount of the maximum annual assessment of the immediately preceding calendar year or (ii) the percentage increase reflected in the U.S. City Average, Consumer Price Index-United States (published by the U.S. Bureau of Labor Statistics, Washington, D.C.) or such other index as may be the successor to said Consumer Price Index, for the twelve month period ending the immediately preceding July 1.

(b) The maximum annual assessment for the calendar year beginning January 1, 1996, and for each successive calendar year thereafter, may be increased without limit by the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting of the Association at which a quorum is present. The provisions of this subsection shall not apply to nor be a limitation upon any change in the maximum annual assessment undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under this Declaration or its Articles or Bylaws or any applicable laws.

(c) Subject to the provisions of this Article V, the Board may fix the annual assessment at any amount not in excess of the maximum annual assessment allowed for the applicable calendar year. In determining the amount of the annual assessment the Board shall consider the projected expenses for routine maintenance of the Disposal System and the amount to be allocated to the Disposal System Reserve Fund.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized herein, the Association may levy in any calendar year a special assessment for the purpose of defraying, in whole or in part, the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any

such assessment shall have the assent of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting of the Association at which a quorum is present. A special assessment shall be due and payable as established by the vote of the Members approving the special assessment, or, if not established by such vote of the Members, as established by the Board.

Section 5. Special Assessment for Repairs. In the event that any portion of any Common Area is damaged or destroyed by an Owner or any of such Owner's guests, tenants, licensees, agents, or family members, such Owner hereby authorizes the Association to repair or replace such damaged or destroyed area in a good and workmanlike manner. The amount reasonably required for such repairs or replacement, including all labor and materials used in connection therewith, shall become a special assessment upon the Lot of such Owner, due and payable as determined by the Board.

Section 6. Special Assessment for Disposal System. In addition to any other special assessments provided for herein, at any time and from time to time that the Board determines that the funds collected through annual assessments plus the funds in the Disposal System Reserve Fund are inadequate for the operation and maintenance of the Disposal System, the Association may levy a special assessment for the purpose of defraying, in whole or in part, such costs. Any such special assessment shall be due and payable as established by the Board. Provided, however, in determining the amount of any such Disposal System special assessment the Board shall first determine the total amount to be collected by such assessment and shall then assess each Lot (including Lots owned by the Declarant) then in the Subdivision an amount equal to the total amount of the assessment divided by the total number of Lots in the Subdivision at that time or the number 60, whichever is greater (it being the intention of the Declarant that the Subdivision, when completely developed, have no less than 60 Lots). If the number of Lots in the Subdivision is less than 60 at the time of the imposition of any such special assessment by the Association, the Declarant shall be responsible for payment of the balance of any such special assessment that is not allocated to the Lots in the manner provided in this paragraph.

Section 7. Notice and Quorum For Actions of the Association Required With Respect to Assessments. Written notice of any meeting of the Association called for the purpose of taking any action required to be taken by the membership with respect to annual or special assessments shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members plus proxies entitled to cast sixty percent (60%) of the combined total number of votes of all classes of membership shall constitute a quorum. If the required quorum is not present at the first such meeting, subsequent meeting(s) may be called subject to the same notice requirement, and the required quorum at the subsequent meeting(s) shall be one-half (1/2) of the required quorum at the immediately preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the immediately preceding meeting.

Section 8. Rate of Assessments; Collecting Assessments.

(a) Both annual and special assessments must be fixed at a uniform rate for all Lots. Annual and special assessments may be collected on a monthly, quarterly, annual or other basis, as determined by the Board. The Board shall have the power at any time and from time to time, in its sole discretion and upon such terms and conditions as the Board deems appropriate, to allow percentage discounts to Owners who pay annual and/or special assessments earlier than would otherwise be required for such payments; provided, however, all such discounts shall be made available to and applied uniformly to the Owners of all Lots that are subject to the assessment to which the discount applies.

(b) The annual assessment for a Lot on which there is not a residence dwelling for which a certificate of occupancy has been issued by the governmental authority having jurisdiction thereof at the time the Lot is conveyed to the Owner by Declarant shall not commence until the earlier of the first day of the month following the month in which the certificate of occupancy is issued or the first day of the tenth (10th) month following the month in which the Lot is conveyed to the Owner by Declarant. The Board may, in its sole discretion, defer (for such period of time as the Board determines) the collection of this assessment from any Owner who has purchased a Lot with the intention of constructing thereon a single-family residence for sale to another Person until such time as that Owner has closed the sale of such Lot or the Board stops the deferment. If the Board defers the collection of such assessment, no penalty or interest shall be assessed on the amount of the assessment due during the period of such deferment, as long as the assessment is paid at or prior to the time such Owner closes the sale of said Lot or the Board stops the deferment.

(c) Notwithstanding anything to the contrary that may appear in this Declaration, Declarant and all Lots owned by Declarant shall be exempt from all annual and special assessments (except for any Disposal System special assessment, such assessments being applicable to all Lots in the Subdivision, including Lots owned by the Declarant) which, in the absence of this exemption, would be applicable under the terms of this Declaration to such Lots during the time they are owned by Declarant.

Section 9. Commencement of Assessments; Establishing the Amount; Due Dates.

The annual assessment shall commence with respect to a Lot on the first day of the month immediately following the month in which the Lot is conveyed to the Owner by Declarant, and the amount of the first annual assessment applicable to the Lot shall be prorated in accordance with the number of months remaining in the calendar year on and after it is becomes applicable to the Lot. A special assessment shall be applicable to each Lot subject to this Declaration at the time such assessment is established. The Board shall establish the amount of the annual assessment for the ensuing calendar year at least thirty (30) days in advance of the beginning of such year, and, if the amount of the annual assessment changes from the amount for the current year, the Board shall cause written notice of the new annual assessment to be sent to at least one of the Owners of each Lot subject to the assessment. Subject to any limitations contained in this Declaration, the Articles, the Bylaws or any

applicable laws, the Board is empowered at any time and from time to time to establish the due dates and penalties for late payment of annual and special assessments. The failure of the Board to establish the amount of any annual assessment as required herein shall not be a waiver or modification in any respect of the provisions of this Declaration, or a waiver of the Board's right to establish the annual assessment at any time during the calendar year to which it is applicable, or a release of any Owner from the obligation to pay the assessment or any installment thereof for that or any subsequent year, and the annual assessment established for the immediately preceding calendar year shall continue in effect until the Board has established the new annual assessment.

Section 10. Certification of Assessments Paid. The Association (or any Person employed by the Association to assist in the management of the Association and collection of assessments and authorized to issue such certificates) shall, upon demand and for a reasonable charge or fee, furnish a certificate signed by an officer of the Association (or the Person or an officer, partner or agent of such Person having authority to issue such certificate) setting forth whether or not the assessments (annual and special) on a particular Lot have been paid. A properly executed certificate of the Association (or authorized Person) as to the status of the payment of such assessments shall be binding on the Association, as of the date of its issuance, with respect to the assessments addressed therein.

Section 11. Assessment Lien and Remedies for Non-Payment. Except as otherwise provided in this Declaration or by applicable laws, the aforesaid lien shall be superior to all other liens and charges against each Lot and the Improvements thereon. The Board shall have the power to subordinate the aforesaid assessment lien to any other lien, and such power shall be entirely discretionary with the Board. To evidence for the public record the amount of any assessment lien, the Board may prepare a written notice of assessment lien setting forth the amount of the unpaid indebtedness, the name of the Owner of the Lot subject to such lien, and a description of the Lot. Such notice shall be signed by one of the officers of the Association and shall be recorded in the Office of the Register of Deeds of Wake County, North Carolina. The lien of any assessment may be enforced by the foreclosure of the defaulting Owner's Lot and Improvements thereon by the Association in like manner as a deed of trust with power of sale on real property, or the Association may institute suit against the Owner personally obligated to pay the assessments, or the lien may be enforced by judicial foreclosure or the Association may pursue one or more of the foregoing remedies and/or may seek any other available remedy or relief. With respect to any such remedy pursued by the Association, whether judicial or non-judicial, in addition to the amount of the unpaid assessment, and interest and late charges thereon, the Owner shall be required to pay the costs, expenses, and reasonable attorney's fees incurred by the Association. The Association shall have the power to bid on the Owner's Lot and Improvements thereon at foreclosure or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with the same. In the event that any of the foregoing remedies by the Association results in the entry of a judgment against an Owner and in favor of the Association, then the Association shall be further empowered to execute on that

judgment in such manner and to the extent provided and permitted by the laws of the State of North Carolina.

Any assessments which are not paid by the due date shall be delinquent. If the assessment is not paid in full within thirty (30) days immediately following the due date, interest shall accrue on the unpaid portion of the assessment at the rate of interest established from time to time by the Board, not to exceed the greater of the highest lawful rate per annum or eighteen percent (18%) per annum. The Board shall establish the applicable rate of interest at the time it establishes the annual assessment each year, and shall notify Owners of the established rate in the same manner (or in the same notice) as required for notification of any change in the annual assessment. When the Board establishes the applicable rate of interest for any year, that rate shall continue in effect until such time as a new rate of interest is established by the Board. If, for any reason, it is determined that the Board is without discretion or authority to establish the applicable interest rate, then the applicable interest rate shall be the greater of the highest lawful rate per annum or eighteen percent (18%) per annum.

In addition to the foregoing, the Board may establish from time to time a late payment charge, in such amount (not to exceed 10% of the maximum annual assessment per month) and beginning on such date as determined by the Board. The Board shall establish the applicable late payment charge at the time it establishes the annual assessment each year, and shall notify Owners of the established charge in the same manner (or in the same notice) as required for notification of any change in the annual assessment. When the Board establishes a late payment charge, that charge shall continue in effect until such time as a new charge is established by the Board.

The Board, in its discretion, may waive in whole or in part the imposition of interest and late payment charges with respect to any delinquent assessment.

Section 12. Default in Payment of Ad Valorem Taxes and Assessments for Public Improvements. Upon default by the Association in the payment to the governmental entity or authority entitled thereto of any ad valorem property taxes levied against the Common Property or assessments for public improvements to the Common Property, which default continues for a period of six (6) months following the date of such default, each Owner shall become personally obligated to pay to the taxing or assessing governmental entity or authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total unpaid taxes or assessments (including all interest and penalties thereon and other lawful costs assessed by such governmental entity or authority) by the total number of Lots in the Subdivision at the end of such six (6) month period. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner thereof, and such Owner's heirs, devisees, personal representatives, successors and assigns, and the taxing or assessing governmental entity or authority may either bring an action at law against such Owner or may elect to foreclose the lien against the Lot owned by such Owner.

Section 13. Subordination of the Lien to Mortgages and Ad Valorem Property Taxes. All liens against a Lot provided for herein shall be subordinate and inferior to the lien of any first mortgage or deed of trust on such Lot, to the lien of the ad valorem property taxes assessed on such Lot, and to the lien of any mortgage or deed of trust affecting such Lot that is or has been given by Declarant in connection with any loan for the development of the Property as a residential subdivision. Except as otherwise provided herein, sale of or transfer of title to any Lot shall not affect the liens against such Lot established by this Declaration; provided, however, the sale of or transfer of title to any Lot which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish all such liens with respect to all payments that became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust on the Lot.

Section 14. Common Area Exempt. All Common Area and Dedicated Common Area shall be exempt from the assessments and liens for same created herein. Provided, however, no real property or improvements subject to this Declaration and used for residential dwelling purposes shall be exempt from such assessments and liens.

ARTICLE VI

GENERAL POWERS AND DUTIES OF THE ASSOCIATION

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

(a) The Association shall be responsible for the improvement, repair, replacement, use, operation and maintenance of the Common Area, the Roadway Medians and the Landscaped Rights-of-Way as provided in this Declaration, including, but not limited to, planting, mowing, pruning, fertilizing, preservation and replacement of the vegetation and landscaping in, and the upkeep and maintenance of sidewalks, sprinklers, sprinkler pumps, wells, signs, lighting, planting boxes and other equipment, apparatus and improvements located in, the Common Area, the Roadway Medians and the Landscaped Rights-of-Way or located in easements granted to or reserved by the Declarant or the Association. With respect to the Landscaped Rights-of-Way and Roadway Medians, the foregoing responsibility is to such extent as the Board may determine, in its sole discretion, with consideration being given to the extent to which any governmental entity is responsible for and carrying out maintenance of same.

(b) The Association is empowered to enter into agreements with the appropriate governmental authorities to enable the Association to improve, repair, replace, use, operate and maintain the Common Area, the Roadway Medians and the Landscaped Rights-of-Way or any portions thereof;

(c) The Association is empowered to make reasonable rules and regulations for the use and operation of the Common Area, and to amend them from time to time; provided that any rule or regulation may be amended or repealed by an instrument in writing signed by the Members possessing seventy-five percent (75%) or more of the total eligible votes of the membership of the Association; provided further, if the Class B Membership exists at the time of such amendment or repeal, such amendment or repeal also must be approved in writing by Declarant before it may become effective;

(d) The Association is empowered to enter into agreements or contracts with utility companies with respect to utility installation, consumption and service matters relating to the Common Area, the Roadway Medians, the Landscaped Rights-of-Way and the Association;

(e) The Association is empowered to borrow funds to pay costs of operation of the Association, which borrowing may be secured by assignment or pledge of rights against delinquent Owners or by liens on other Association assets, as determined by the Board.

(f) The Association is empowered to enter into contracts to maintain one or more bank accounts, and, generally, to have all the powers necessary or incidental to the operation and management of the Association;

(g) The Association is empowered to sue or defend in any court of law in behalf of the Association, and to employ attorneys and other necessary professionals in connection therewith;

(h) The Association shall, to the extent determined by the Board, provide adequate reserves for repairs and replacements of Common Area, Landscaped Rights-of-Way and Roadway Medians;

(i) The Association shall make available to each Member making written request therefor an annual financial report and, upon the written request of the Members possessing seventy-five percent (75%) or more of the total eligible votes of all the Members of the Association, to have such report audited (at the expense of the Association) by an independent certified public accountant, which audited report shall be made available to each Member making written request therefor;

(j) The Association shall make available for inspection by Owners and holders of first lien mortgages or deeds of trust secured by Lots, upon reasonable request and during normal business hours, current copies of this Declaration and all Supplemental Declarations, the Bylaws, the rules and regulations of the Association, and the books, records and financial statements of the Association;

(k) The Association is empowered to adjust the amount, collect, and use any insurance proceeds to repair damage to or replace Common Property; and if proceeds are

insufficient to repair damage to or replace Common Property, to levy special assessments (in the manner provided herein) to cover the deficiency;

(l) The Association is empowered to exercise all powers, duties and authority vested in or delegated to the Association by this Declaration, the Bylaws, or the Articles and not reserved to the Members or Declarant by other provisions of this Declaration, the Bylaws or the Articles;

(m) The Association is empowered to employ a manager or firm to manage the business and property of the Association, and to employ independent contractors or other employees as the Board may deem necessary;

(n) The Association is empowered to retain the services of legal and accounting firms;

(o) The Association is empowered to administer and enforce the provisions of this Declaration and any rules made hereunder and to enjoin and/or, in its discretion, seek damages or other relief from any Owner for violation of such provisions or rules;

(p) The Association is empowered to contract with any third party or any Owner (including, without limitation, Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms hereof, such contracts to be at competitive rates and otherwise upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association;

(q) The Association shall establish the amount of and provide for the collection of annual and special assessments as provided for in this Declaration.

(r) The Association is empowered to establish from time to time the tax status of the Association for federal and State of North Carolina income tax purposes, as determined by the Board to be in the best interests of the Association.

(s) The Association is empowered to contract with other nonprofit corporations or associations which exist for purposes substantially similar to those for which the Association exists with respect to the acquisition of lease or use of, and improvement, repair or maintenance of property owned by such corporation or association.

(t) The Association is empowered to take any and all other actions and to enter into any and all other agreements as may be necessary or proper for the fulfillment of its obligations hereunder, for the operational protection of the Association and for the implementation and enforcement of the terms, covenants, conditions and restrictions contained in this Declaration or in any Supplemental Declaration.

Section 2. Liability Limitations. Neither Declarant, nor any Member, the Board, any director on the Board, nor any officer of Declarant or the Association shall be personally liable for debts contracted for (in accordance with the terms of this Declaration, the Articles or the Bylaws) or otherwise incurred by the Association or for a tort of another Member, whether or not such other Member was acting on behalf of the Association or otherwise. Neither Declarant or the Association, nor any of the directors, officers, agents or employees of either shall be liable for any incidental or consequential damages for failure to inspect any property, premises, Improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Association or any other Person liable to make such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, Improvements or portions thereof. The Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Board and all members of the Architectural Control Committee and other committees appointed by the Board from and against any and all loss, cost, expense, damage, liability, action or cause of action arising from or relating to the performance by the members of the Board and the members of such Architectural Control Committee and other committees of their duties and obligations except for any such loss, cost, expense, damage, liability, action or cause of action resulting from any one or more of the following: (i) the gross negligence or willful misconduct of the person(s) to be indemnified; (ii) acts or omissions that such Person at the time of the breach knew or believed were clearly in conflict with the best interests of the Association; (iii) liability under Sections 55-A-32 and 55-A-33 of the North Carolina General Statutes; or (iv) any transaction from which such Person derived an improper personal financial benefit (as the term "improper personal financial benefit" is defined in Article 55-A-2-02(b)(4) of the North Carolina General Statutes).

Section 3. Exchange of Common Area. The Association, acting through its Board, at any time and from time to time may exchange with Declarant, or with any Owner, or with any other Person with whom such an exchange is determined by the Board to be in the best interests of the Association, a portion of the real property Common Area for a portion of the real property owned by the Declarant, such Owner or such Person, provided that the real property acquired by the Association in the exchange: (i) is free and clear of all encumbrances except for this Declaration and any applicable Supplemental Declaration and subdivision covenants, and easements for drainage, utilities, and sewers; (ii) is contiguous to a Lot or some portion of the Common Area, a Landscaped Right-of-Way or a Roadway Median; and (iii) has approximately the same area and utility, or is of approximately the same market value, as the portion of the Common Area exchanged. In addition to the foregoing, the Association shall have the right to exchange portions of Common Property with the Declarant or with any Owner for substantially equal (as determined by the Board) portions of real property for the purpose of eliminating unintentional conveyances of Common Property or unintentional encroachments or improvements onto portions of the Common Property or for the purpose of enhancing the utility of the Common Property to be retained by the Association or for the purpose of correcting any setback violations or encroachments of any improvements located on a Lot. The real property so acquired by the

Association shall be part of the Common Area and, without further act of the Association or its Members, shall be released from any provisions of this Declaration (or any applicable Supplemental Declaration or subdivision covenants) except those applicable to the Common Area. The portion of the Common Area so acquired by the Declarant, Owner or other Person, without further act of the Association or its Members, shall cease to be Common Area and shall be subject to those provisions of this Declaration (and any applicable Supplemental Declaration and subdivision covenants) that would have been applicable to such real property had it been a Lot, except that, if such portion of the Common Area is being acquired by a governmental entity, in like manner as provided in this Declaration for the conveyance or dedication of Common Area to a governmental entity, such Common Area may be acquired by such governmental entity free and clear of all of the terms, covenants, conditions and restrictions contained in this Declaration.

ARTICLE VII

INSURANCE; REPAIR AND RESTORATION

Section 1. Right to Purchase Insurance. The Association is empowered to purchase, carry and maintain in force insurance covering any part or all of the Common Area, Landscaped Rights-of-Way and Roadway Medians and any improvements thereon or appurtenant thereto and any other property of the Association, for the interest of the Association, the Board, its agents and employees, Declarant and its officers and employees, and of all Members of the Association, in such amounts and with such endorsements and coverage as the Board shall consider to be good, sound insurance coverage for similar properties. Such insurance may include, but need not be limited to:

(a) comprehensive public liability and property damage insurance on a broad form basis with respect to the Common Area and/or Landscaped Rights-of-Way and/or Roadway Medians;

(b) coverage for the personal liability (if any) of the Declarant (and its officers, agents, employees and servants), the Board (and the individual members thereof), the officers of the Association, the Architectural Control Committee and other committees appointed by the Board, the Owners and Members;

(c) Fidelity bond for all officers and employees of the Association and other Persons having control over the receipt of disbursement of Association funds; and

(d) Worker's compensation insurance to the extent necessary to comply with applicable laws.

Section 2. Insurance Proceeds. Subject to any limitations imposed by any applicable financing documents, the Association shall use the net proceeds of casualty

insurance recovered to repair and/or replace any damage or destruction of property, real or personal, covered by such insurance. Any balance from the proceeds of casualty insurance paid to the Association remaining after satisfactory completion of repair and replacement shall be retained by the Association as part of the general reserve fund for repair and replacement of the Common Area and/or Landscaped Rights-of-Way and/or Roadway Medians.

Section 3. Insufficient Proceeds. If the insurance proceeds are insufficient to repair or replace any loss or damage, the Association may levy a special assessment in the manner provided for in this Declaration, to cover the deficiency.

ARTICLE VIII

USE OF LOTS AND COMMON AREA - PROTECTIVE COVENANTS

Section 1. Land Use And Building Type. Each Lot shall be used exclusively for single-family, non-transient residential purposes. Except as otherwise allowed by the terms of this Declaration, no building or other structure shall be constructed, placed or allowed to remain on a Lot except one single-family dwelling (which may include quarters to be occupied by members of the same family or domestic employees, an attached or detached garage (sufficient to hold a minimum of two full size automobiles) appurtenant thereto (which may include living quarters for domestic employees), an attached outbuilding or storage building appurtenant thereto, and/or a detached pump house serving a swimming pool on the Lot, with all of the foregoing meeting the requirements contained in this Declaration, including approval by the Architectural Control Committee. Except as otherwise provided herein, no business activity or trade of any kind (other than activities related to development of the Subdivision by Declarant, installation and maintenance work by utility providers and Persons responsible for street maintenance, construction, alteration, repair, improvement, maintenance or replacement of a single-family residence, or improvement or maintenance of a Lot) shall be conducted on any Lot. Provided, however, and notwithstanding anything to the contrary that may appear herein: (i) Declarant, Declarant's agent, or any builder of homes on any Lot, subject to Declarant's approval, shall be permitted to erect or place, maintain and operate sales offices, model homes and temporary construction or sales trailers or offices on any Lot owned by Declarant or such builder for the purpose of carrying on business related to the development, improvement and sale of Lots and the construction and sale of single-family residences within the Property. Provided, however, any such sales office, model home and temporary construction or sales trailer or office must be specifically approved by Declarant and must comply with all applicable governmental laws and regulations; and (ii) Declarant and any Person authorized by Declarant may conduct such business activities on any Lot as may be necessary in connection with Declarant's development and/or sales of any part or all of the Property or the Subdivision.

Section 2. Obstructions, etc. There shall be no obstruction of the Common Area, nor shall anything be kept, stored, altered, constructed or planted in or on the Common Area, or removed therefrom, without the prior consent of Declarant or the Association. Provided, however, Declarant and the Association shall have the right to install, place, repair, replace and maintain signs in the Common Area and to install, maintain, repair and replace in the Common Area such materials, equipment and other apparatus as may be necessary to enable the Association to carry out its powers and duties under this Declaration.

Section 3. Restricted Actions by Owners. No Owner shall permit anything to be done or kept on such Owner's Lot or in the Common Area which will result in the cancellation of or increase in cost of any insurance carried by the Association, or which would be in violation of any law or any rule or regulation established by the Association. No waste shall be committed in the Common Area, except as may be necessary to enable Declarant or the Association to exercise any rights reserved to them hereunder or except as may be necessary to enable the Association to carry out its powers and duties hereunder. Each Owner shall comply with all applicable laws, regulations, ordinances (including, without limitation, zoning ordinances) and other governmental rules and restrictions in regard to such Owner's Lot(s) and the Common Area, and shall do so notwithstanding any attempted waiver or approval given by the Declarant or Architectural Control Committee under the terms of this Declaration.

Section 4. Nuisance and Other Matters. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. No trade materials or inventories (other than materials used for construction of dwellings or other approved structures on the Lots) may be stored upon any Lot and no tractors, inoperable motor vehicles, rubbish, trash, or unsightly materials of any kind may be stored, regularly placed, or allowed to remain on any Lot (except that trash, leaves, tree limbs, materials for recycling pick-up and similar items may be kept or placed on a Lot temporarily and only for such time as is reasonably necessary to enable the appropriate governmental or private entity to remove same from the Lot, or such materials may be kept on a Lot for use as a compost (provided that such materials used for this purpose are neatly kept and are screened from view from any adjoining Lot or street as approved by the Architectural Control Committee) and inoperable motor vehicles may be stored on a Lot if the same are kept in an enclosed garage). Provided, however, trucks and/or other construction vehicles, materials and equipment may be allowed to remain on the Property temporarily during construction of roads, utilities and other improvements within the Property and during construction on a Lot of a single-family residential dwelling and/or other Improvements which have been approved for construction by Declarant or the Architectural Control Committee established by this Declaration (the temporary nature of the foregoing to be determined by the Declarant or by the Association or the Architectural Control Committee, when such right has been assigned by the Declarant to the Association or the Architectural Control Committee). Notwithstanding the foregoing, no vehicle of any type or size which transports inflammatory or explosive cargo or which stores or transports materials or substances defined as hazardous or toxic by any applicable environmental laws

of any governmental entity having jurisdiction over the Property may be kept or allowed to remain in or on the Property at any time, except as may be required to effectuate removal of such prohibited materials and substances.

Section 5. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any portion of the Property or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes, that they do not create a nuisance (in the judgment of the Board), such as, but without limitation, by number, noise, odor, damage or destruction of property or refuse, and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, the County of Wake or other applicable governmental entity relating thereto; and (ii) such rules and regulations pertaining thereto as the Board may adopt from time to time. In no event shall more than three dogs and/or three cats be regularly kept on any Lot.

Section 6. Signs. No sign of any kind shall be displayed to the public view on any Lot except for signs which are approved by Declarant and which are for one or more of the following purposes: (i) advertising the Lot for sale or rent; (ii) advertising the building contractor constructing improvements on the Lot during the initial construction and sales period; (iii) identifying the sales office and/or model home of a building contractor who owns the Lot; (iv) identifying the subdivision or phase name and/or identifying the Lot number of a Lot; and (v) any other purpose approved by the Declarant (or by the Board after the Class B membership terminates); provided however, the foregoing limitations shall not act to restrict or prohibit Declarant or the Association or any applicable governmental entity from erecting, maintaining, repairing and replacing (and Declarant hereby reserves for itself, the Association and such governmental entities the right to erect, maintain, repair and replace) on a Lot or on the Common Area, Landscaped Rights-of-Way, Roadway Medians and in any easements reserved or granted for such purposes, signs and billboards advertising the Property, the Subdivision or portions of either, or signs identifying various phases of the Subdivision, or regulatory, street and directional signs. Notwithstanding the foregoing, all signs erected and maintained on any Lot must conform with all applicable governmental requirements.

Section 7. Attachments. No permanent attachments of any kind or character whatsoever (including, but not limited to, television and radio antennas) shall be made to the roof or exterior walls of any residence on a Lot, unless such attachments shall have been first submitted to and approved by the Architectural Control Committee. Outdoor clotheslines shall be allowed only in the rear yard of a Lot.

Section 8. Damage to the Common Area. Each Owner shall be liable to the Association and/or the Declarant for any damage to the Common Area, Roadway Medians, and/or Landscaped Rights-of-Way caused by the negligence or willful misconduct of the Owner or such Owner's family members, tenants, guests, or invitees.

Section 9. Rules of the Association. All Owners and occupants of Lots shall abide by all rules and regulations adopted by the Association from time to time. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined by judicial action to have violated said rules and regulations shall be liable to the Association and/or the Declarant for all damages and costs, including attorney's fees.

Section 10. New Construction. Except as otherwise provided in this Declaration, construction of new dwellings only shall be permitted on Lots, it being the intent of this covenant to prohibit the moving of any existing building onto a Lot and remodeling or converting same into a dwelling house. Provided, however, the foregoing shall not be construed as prohibiting remodeling of or constructing additions to existing buildings or structures on a Lot that have been previously constructed thereon in compliance with this Declaration.

No mobile home, modular home or other similar structure shall be erected, placed or allowed to remain on a Lot. No pre-engineered or pre-fabricated buildings may be erected, placed or allowed to remain on a Lot without the prior approval of the Architectural Control Committee.

Section 11. Outbuildings. No outbuilding or storage building shall be erected, placed or allowed to remain on any Lot except those which are incidental to residential use, do not exceed 500 square feet in size, are constructed of the same or substantially identical materials as the residential dwelling on the Lot, are architecturally compatible with the residential dwelling on the Lot, are located no closer to the front boundary line of the Lot than the rear wall of the single-family residence located on the Lot and no closer to any side boundary line of a Lot than the applicable building setback requirements, and which have otherwise been approved by the Architectural Control Committee.

Section 12. On-Street Parking. The Owner of each Lot shall provide for adequate parking space on the Lot for vehicles of all types and all other apparatus designed for movement over and upon streets or highways (whether self-propelled or not) and regularly used by the residents of the single-family residence on the Lot. No automobiles, trucks, vans, travel trailers, other trailers or any other apparatus designed for movement over and upon streets or highways (whether self-propelled or not) shall be regularly parked on the streets within or adjoining the Property, and motor vehicles licensed to carry more than two (2) tons shall not be permitted to park overnight or regularly on the streets, driveways or otherwise within the Property, except that Declarant may allow such parking by any such vehicles used in connection with the construction of improvements within the Property. In addition and supplemental to the prohibitions on parking set forth in this Declaration the Board is empowered to promulgate and enforce rules and regulations relating to parking on the streets within or adjoining the Property.

Section 13. No Temporary Structure. No structure of a temporary character, such as a trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Lot at any time as a dwelling house.

Section 14. Landscaping. Except for the single-family residence, driveways, sidewalks and other Improvements on each Lot, the surface of each Lot shall be of undisturbed areas left in their natural state or grass or other live foliage or areas covered with pine straw and/or other ground cover approved by the Architectural Control Committee, and such natural areas, grass, foliage, pine straw and ground cover shall be neatly maintained at all times.

Section 15. Fences and Walls. Except as specifically approved in writing by the Architectural Control Committee, no fence, wall or hedge shall be erected, placed or altered on any Lot nearer to any street fronting such Lot than the front building corner of the main dwelling constructed on such Lot and shall not exceed six (6) feet in height unless otherwise specifically required by governmental authorities having jurisdiction. All fences on Lots shall be maintained at all times in a structurally sound and attractive manner and in a good state of repair. All fences on Lots shall be of wood, metal (excluding chain link), masonry or other material approved by the Declarant (or the Board, when the right to appoint the Architectural Control Committee has been assigned to the Board) and no fence shall be constructed, placed or allowed to remain on any Lot until the Owner thereof has obtained approval for such fence from the Architectural Control Committee.

Section 16. Sight Line Limitations. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two and six feet above roadways shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street property lines and a line connecting them at a point twenty (20) feet from the intersection of the street lines, or in the case of a rounded property corner, from the intersection of the street property lines extended. The same sight line limitations shall apply on any Lot within ten (10) feet from the intersection of a street property line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distances of such intersection unless the foliage line is maintained at sufficient height to prevent obstruction of sight lines. Declarant reserves the right to waive the foregoing requirements with respect to portions of any Lots that also are considered Common Area or contain Common Property.

Section 17. Antennae. No exterior antennae, earth satellite station, microwave dish or other similar improvements may be constructed, placed, maintained or allowed to remain on any Lot or on any Improvement located on any Lot unless the same is no greater than twenty-four (24) inches in diameter and is screened by materials approved by the Architectural Control Committee so that it cannot be seen from the street on which the single-family residence situated on the Lot fronts or from any adjacent Lot.

Section 18. Gas Meters. No gas meters shall be set in the front of a residence on a Lot unless such meter is of an underground type or is screened in a manner approved by the Architectural Control Committee.

Section 19. Garbage Disposal. All garbage, trash or other refuse shall be deposited temporarily in covered containers located at the rear of the dwelling on a Lot (or, if approved by the Architectural Control Committee, on the side of the dwelling on a Lot), and it shall be each Owner's responsibility to contract or provide for routine and regular garbage pick-up and removal. No garbage shall be burned on any Lot and no Lot or any part of a Lot shall be used as a dumping ground for rubbish.

Section 20. Mailboxes and Lightposts. All mailboxes, unless affixed to the residence on a Lot (which either must be approved by the Architectural Control Committee or otherwise required by applicable governmental law or regulation or United States Postal Service (or successor agency) regulation), shall be uniform for the entire Subdivision, as approved by the Declarant or the Architectural Control Committee. All exterior yard lightposts shall be uniform for the entire Subdivision as approved by the Declarant or the Architectural Control Committee.

Section 21. Utilities. Water and sewer utilities in the Subdivision shall be as follows:

(a) Sewage services shall be provided to the Lots in the Subdivision in accordance with the Permit and as required by the Commission. The Declarant shall be responsible for the initial construction of the Disposal System as required by the Permit. Declarant shall be responsible for the costs of operation and maintenance of the Disposal System to the extent that the same are not covered by the annual and special assessments provided for in this Declaration. All, construction, operation and maintenance of the Disposal System shall be conducted in accordance with the Permit, the rules and regulations of the Commission, all other applicable governmental laws and regulations, and the provisions of this Declaration (to the extent that the provisions of this Declaration do not conflict with such other governing provisions).

(b) Potable water shall be provided initially through a community well system served and maintained by a private utility company and no private wells shall be allowed on any Lot as long as such water services are being provided by a private utility company in accordance with applicable governmental laws and regulations. Provided, however, if at any time prior to a governmental entity becoming the provider of such services there is no private utility company available to provide water services for one or more Lots in the Subdivision, it shall be the responsibility of the Owner of any Lot not serviced thereby to provide for the water needs related to that Lot, and private wells may be used to provide such services. Further provided, each Owner is hereby notified that if the Property or any part thereof is annexed by the Town of Cary or other governmental entity, water services for the annexed Lots may

be provided by the Town of Cary or other governmental entity at the Lot Owner's expense and subject to the applicable laws and regulations of such governmental entity.

Section 22. Minimum Square Footage. The main dwelling house constructed on each Lot subject to this Declaration shall have an enclosed floor area of the main structure, exclusive of garages, open and screened-in porches, decks, terraces, patios and chimneys of not less than 1,800 square feet for a one-story dwelling and 2,000 square feet for a dwelling in excess of one story. Provided, however, the Declarant shall have the right at any time and from time to time to allow or require variances from, and the right to waive violations of, such minimum total floor area and ground floor area requirements of up to fifteen percent (15%) of either or both of such minimum area requirements, such variances or waivers to be in writing. Should any question arise as to whether or not any structure or improvement, other than those items specifically excluded by this Article, is part of the main dwelling house, the Architectural Control Committee shall have the authority to make such determination, and the decision of the Architectural Control Committee shall be final.

Section 23. Building Setback Distances. The main dwelling house on each Lot shall not be located on any Lot nearer to the Lot boundary lines than the building setback lines specified as follows or, if a greater setback is required thereby, as required by applicable zoning laws and other governmental requirements:

- (i) Front Setback - Thirty (30) feet from the front boundary line of the Lot;
- (ii) Side Setback - Ten (10) feet from each side boundary line of the Lot; provided, however, when a Lot adjoins two or more street right of way lines, the dwelling may face either street and shall be no less than twenty (20) feet from the side boundary line of the Lot adjoining the street right of way line and no less than thirty (30) feet from the street that the front of the dwelling on the Lot faces.
- (iii) Rear Setback - Thirty (30) feet from the rear boundary line of the Lot; provided, however, with respect to any Lot whose rear boundary line is a portion of the boundary of the real property described on Exhibit A, the main dwelling house shall be no less than fifty-five (55) feet from said rear property line, and the first twenty (20) feet of said fifty-five (55) foot rear setback shall consist of an undisturbed buffer pursuant to the requirements of Wake County imposed in connection with the rezoning of the real property described on Exhibit A.

Declarant reserves the right at any time and from time to time to grant minor variances from and/or waive minor violations of the foregoing setback requirements (and, subject to approval of the Town of Cary or other applicable governmental entity having jurisdiction, to waive violations or grant variances from any setback requirements shown on any recorded plat of Lots in the Subdivision), such variances or waivers to be in writing. Variances or waivers not in excess of fifteen percent (15%) of the applicable requirement are deemed to be minor. Notwithstanding the foregoing, if any minimum setback distance specified herein is different from any minimum setback distance shown on any recorded plat

of any part or all of the Property, the greater distance shall be controlling with respect to the Lot or Lots affected thereby. Further provided, all setback distances shall comply with applicable governmental entity requirements and it shall be the responsibility of the Owner of each Lot to comply with such requirements, including in such instances where waivers are granted by the Declarant.

For the purpose of determining the foregoing building setback distances under this Declaration, eaves, steps, stoops, open and screened-in porches, overhangs, bay windows, decks, patios terraces and chimneys shall not be considered as a part of the main dwelling house, but the location of such Improvements on a Lot shall be subject to the architectural control and approval provisions applicable to the Lots subject to this Declaration. Provided, notwithstanding anything to the contrary that may appear herein, no dwelling or other improvement on a Lot shall encroach upon another Lot. Should any question arise under this Declaration as to whether or not any portion of the main dwelling house (other than the foregoing items specified as not being part of the main dwelling house) should be considered as part of the main dwelling house for the purpose of determining the foregoing building setback distances, or should any question arise as to what constitutes the front, side or rear property line of any Lot for the purposes of the required setback distances set forth in this Declaration, the Architectural Control Committee shall have the authority to make such determination and the decision of the Architectural Control Committee shall be final.

NOTE: With respect to Declarant's rights to grant variances or waivers of square footage and building setback requirements, these rights are reserved to provide a method to grant relief from inadvertent violations and to afford an opportunity to address special, unusual or unique circumstances that may apply to any particular Lot (such as, for example, difficult topographical circumstances or unusual soil conditions). However, it is the specific intention of the Declarant that the exercise of such rights by Declarant not impair or destroy the rights of the Declarant, the Association or the Owners to enforce the provisions of this Declaration (subject to any such variance or waiver granted by Declarant), and that the exercise of such rights by Declarant not convert this Declaration from a real covenant running with the Property and binding on all present and future Owners of any part or all of the Property into a mere personal covenant enforceable only the Declarant.

Furthermore, with respect to Additional Property subjected to this Declaration, Declarant reserves the right to establish different minimum square footage and building setback requirements as Declarant determines, in its sole discretion, may be necessary to accommodate different sizes of lots, different types and sizes of single-family residences, and different marketing conditions from what exists or has existed in other phases or sections of the Subdivision.

Section 24. Exterior Materials. The exterior materials of each dwelling, garage or other building constructed, altered or placed on a Lot shall consist of brick, stone, wood, hardboard or such other first class materials as the Architectural Control Committee may approve (which may include approved manufactured and vinyl siding). Garages shall be of

the same construction and exterior finish materials as the main dwelling house thereon. Detached accessory buildings shall be of the same construction and material as listed in this Section. All roofs on all Improvements constructed on each Lot shall be of such materials as are specifically approved by the Architectural Control Committee.

Section 25. Garages. With each dwelling constructed on a Lot an attached or detached (as approved by the Architectural Control Committee) garage, sufficient in size to hold two full size automobiles, shall be constructed in connection therewith.

Section 26. Driveways. All driveways shall be paved in concrete from the street to the garage on the Lot. In addition, all parking areas on a Lot shall be paved in concrete.

Section 27. Removal of Trees and Other Vegetation. Unless located within ten (10) feet of a main residence dwelling or detached garage or accessory building or within ten (10) feet of an approved building site, no trees, shrubs, bushes or other vegetation having a trunk diameter of ten (10) inches or more at a point two feet above the ground level may be cut, pruned, mutilated or destroyed at any time without the prior written approval of the Architectural Control Committee; provided, however, that dead or diseased trees, shrubs, bushes or other vegetation shall be cut and removed promptly from any Lot by the Owner thereof after such dead or diseased condition is discovered or known by the Owner and the Owner, except in cases of emergency, has advised the Architectural Control Committee of the existence of such condition.

Section 28. Governmental Requirements. Nothing herein contained shall be deemed to constitute a waiver of any governmental requirements applicable to any Lot and all applicable Wake County, Town of Cary and other governmental entity requirements or restrictions relative to the location or construction of Improvements on a Lot and/or use and utilization of any Lot shall continue to be applicable and shall be complied with in regard to the Lots. Provided, that in any instance in which the provisions of this Declaration impose a more restrictive requirement than the applicable governmental requirements or restrictions, the provisions of this Declaration shall control.

ARTICLE IX

ARCHITECTURAL CONTROL

Section 1. General. Anything contained in this Declaration to the contrary notwithstanding, no site preparation on any Lot, no change in grade or slope of any Lot, no construction or placement of any building or exterior additions or alterations to any building situated upon a Lot, and no construction of or changes or additions to any other structure or Improvement on a Lot shall be commenced, nor shall any of the same be placed, maintained or allowed to remain, on any Lot until the "Architectural Control Committee" (appointed as

hereinafter provided) has approved the plans and specifications therefor and the location of such Improvements.

Section 2. Composition. Through and including December 31, 2004 Declarant shall annually appoint the members of the Architectural Control Committee, which will be composed of at least three (3) individuals (the exact number of members of the Architectural Control Committee to be designated by Declarant from time to time), each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a high level of taste and design standards within the Subdivision. The members so appointed are appointed to serve for and during the next succeeding calendar year, or until earlier removed by the Declarant (or the Board, when Declarant's authority has ended). In the event of the death or resignation of any member of the Architectural Control Committee, Declarant, for so long as it has the authority to appoint the members of the Architectural Control Committee, and thereafter, the Board, shall have full authority to designate and appoint a successor. Beginning on January 1, 2005 (and earlier if Declarant specifically assigns this right to the Board), the Board shall designate the number of and appoint the members of the Architectural Control Committee. At any time and from time to time Declarant may assign to the Board its right to appoint members of the Architectural Control Committee.

The Declarant (and the Board when applicable), in its discretion, may at any time and from time to time appoint two separate Architectural Control Committees, one for the purpose of reviewing plans, specifications and site plans for initial Improvements to be constructed or placed on a Lot, and another to review plans, specifications and site plans for subsequent new Improvements and changes in and additions to existing Improvements on a Lot, the specific division of such reviews to be as specified by the Declarant (or the Board when applicable). Provided, and notwithstanding anything to the contrary appearing herein, so long as the Declarant has the authority to appoint the members of the Architectural Control Committee, Declarant alone may constitute the Architectural Control Committee that reviews plans for initial Improvements on Lots. Each such Architectural Control Committee separately shall be subject to and shall comply with the provisions of this Declaration applicable to the Architectural Control Committee and the review of plans, specifications and site plans.

Section 3. Procedure. No exterior Improvement of any kind or nature shall be constructed, repaired, replaced, remodeled, placed or allowed to remain on any Lot until all plans and specifications therefor and a site plan therefor have been submitted to and approved in writing by the Architectural Control Committee, as to:

- (a) type of materials, adequacy of site dimensions and facing of main elevation with respect to nearby streets;
- (b) conformity and harmony of the external design, color, type and appearance of exterior surfaces and compatibility with existing Improvements within the Property;

(c) location of the Improvement on a Lot and effect of location and use on neighboring Lots and Improvements situated thereon;

(d) provisions for handling water drainage;

(e) compliance with the provisions of this Declaration and compliance with any architectural guidelines that may be established from time to time by Declarant (or by the Board when the Board has the right to appoint the members of the Architectural Control Committee, or by the Architectural Control Committee, if such power is delegated to it by Declarant or the Board otherwise possessing such power).

Plans and specifications for Improvements shall be submitted to the Architectural Control Committee in such form and subject to such guidelines as it from time to time establishes in the exercise of its reasonable discretion. The Architectural Control Committee shall have the authority from time to time to establish procedures for conducting the architectural reviews and other duties of the Architectural Control Committee, provided that such procedures do not conflict with the specific requirements of this Declaration.

The Declarant (or the Board, when the Board has the right to appoint members of the Architectural Control Committee, or the Architectural Control Committee, when such power has been delegated to it by the Declarant or the Board possessing such power) at any time and from time to time may establish architectural guidelines for one or more types of Improvements to be constructed on a Lot, which guidelines shall be fair and reasonable, may from time to time be amended and revised, and shall carry forward the spirit and intention of this Declaration. Although the Architectural Control Committee shall not have unbridled discretion with respect to taste, design and any standards specified herein or in such guidelines, the Committee shall be responsive to technological advances or general changes in architectural designs and materials and related conditions in future years and use its best efforts to balance the equities between matters of taste and design (on the one hand) and use of private property (on the other hand). Subject to the specific terms and conditions of this Declaration, different architectural guidelines may be promulgated and applied to different phases within the Subdivision. Such guidelines shall supplement, but not supersede, the provisions of this Declaration and may be more (but not less) restrictive than the specific provisions of this Declaration. Such guidelines may (but shall not be required to) include, but not be limited to, the following matters: construction specifications; signs; mailboxes; landscaping; and environmental matters. Provided, however, if there is a conflict between any such guideline and the specific provisions of this Declaration or any Supplemental Declaration, the provisions of this Declaration or such Supplemental Declaration shall control.

Section 4. Enforcement. The Architectural Control Committee shall have a specific, nonexclusive right (but not obligation) to enforce the provisions contained in this Article of this Declaration and/or to prevent any violation of the provisions contained in this

Article of this Declaration by a proceeding at law or in equity against the person or persons violating or attempting to violate any such provisions.

Section 5. Failure of the Architectural Control Committee to Act. If the Architectural Control Committee fails to approve or disapprove any plans, specifications and other submittals which conform with the requirements for such submittals established as provided herein or to reject them as being inadequate or unacceptable within thirty (30) days after submittal thereof to the Architectural Control Committee, and provided such submittal was a full and complete submittal of all items required by this Declaration and any applicable architectural guidelines to have been submitted to the Architectural Control Committee, it shall be conclusively presumed that the Architectural Control Committee has approved such conforming plans and specifications and other submittals, except that the Architectural Control Committee has no right or power, either by action or failure to act, to waive or grant any variances relating to any mandatory requirements specified in this Declaration, in any applicable Supplemental Declaration, or of any applicable governmental entity. If plans and specifications or other submittals are not sufficiently complete or are otherwise inadequate, the Architectural Control Committee may reject them as being inadequate or may approve or disapprove the same in part, conditionally or unconditionally, and reject the balance.

Section 6. Limitation of Liability. Neither the Architectural Control Committee nor the members thereof, nor Declarant, nor the Association, shall be liable in damages or otherwise to anyone submitting plans and specifications and other submittals for approval or to any Owner by reason of mistake of judgment, negligence or nonfeasance arising out of or in connection with the approval of disapproval or failure to approve or disapprove any plans or specifications.

Section 7. Miscellaneous. No member of the Architectural Control Committee shall be entitled to compensation for, or be liable for, claims, causes of action or damages (except where occasioned by gross negligence or arbitrary and capricious conduct) arising out of, services performed pursuant to this Declaration. The Association may reimburse members of the Architectural Control Committee for reasonable out-of-pocket expenses.

ARTICLE X

EASEMENTS

Section 1. Easements Reserved by Declarant.

(a) Declarant, for itself, its successors and assigns, and its agents, reserves a perpetual, alienable, and releasable easement on, over and under the Property (and including all Lots and Common Property) for installation, maintenance, repair, replacement, use, operation and removal of the Disposal System, utilities (including, without limitation,

electric, natural gas, telephone and cable television) and related appurtenances and equipment (including, without limitation, wires, poles, pipes, transformer boxes and conduits), drainage facilities and soil and water impoundments. Provided, however, no easement hereby reserved shall be applicable to any portion of a Lot used as building site or approved for use as building site by the Architectural Control Committee. Full right of ingress and egress shall be had by Declarant at all times over the Lots (other than the portions thereof used or approved as building sites) for the installation, use, operation, maintenance, repair, replacement or removal of any such utility, drainage facility or impoundment, together with the right to remove any obstruction that may be placed in any easement that would constitute interference with the use of such easement, or with the use, installation, maintenance, repair, replacement, removal or operation of same. Assignees to whom Declarant reserves the right to assign and convey, in whole or in part, the easements reserved by it hereunder shall include, without limitation, the Association and one or more governmental entities or public utility companies. Provided, however, neither the foregoing reservation of easement rights nor any similar reservation of easement rights contained in this Declaration shall create or impose any obligation upon Declarant, or its successors and assigns, to provide or maintain any such utility, drainage facility or impoundment. Notwithstanding anything to the contrary appearing herein, in no event shall the easements reserved by the Declarant in this paragraph be less than an area five (5) feet in width inside of and adjoining the boundaries of each Lot.

(b) In addition to the foregoing, Declarant and the Association reserve the right to subject the Property to a contract with Carolina Power And Light Company for the installation of above ground or underground electric cables and lines and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power And Light Company by each Owner.

Section 2. Easement Reserved for the Association.

(a) Full rights of ingress and egress shall be had by the Association at all times over and upon each Lot for the maintenance and repair of each Lot in accordance with the provisions hereof and for the carrying out by the Association of its rights, powers, duties and obligations hereunder; provided, that any such entry by the Association upon any Lot shall be made with as minimum inconvenience to the Owner as reasonably practicable, and any damage caused as a result of the gross negligence of the Association's employees or agents shall be repaired by the Association at the expense of the Association.

(b) In addition to the foregoing, and in order to implement effective and adequate erosion control, the Association, and its contractors, employees and agents, hereby reserve the right (without the obligation to do so) to enter upon any portion of any Lot before and after Improvements have been constructed thereon for the purpose of performing any grading or landscaping work or constructing, repairing, replacing, using and maintaining erosion control devices; provided, however, no such activities shall interfere with any permanent Improvements constructed on any such Lot (which Improvements have been approved by the Architectural Control Committee). If the need for erosion control results from the

construction of Improvements on any portion of a Lot or any excavation, grading, removal, reduction, addition or clearing of any Lot or portion thereof, the cost of any such work performed by the Association for the purpose of implementing effective and adequate erosion control shall be assessed against the Owners of the Lot on which such work has been performed. Provided, however, if the Association determines that appropriate corrective action is necessary on a Lot, prior to exercising its right to enter upon such Lot and performing any grading or landscaping work or constructing or maintaining erosion prevention devices, the Association shall give the Owner of such Lot written notice of and the opportunity to take the corrective action specified in such notice. If the Owner fails to complete the specified corrective action by the date specified in the notice, the Association may then exercise its right to enter upon the Lot and take or complete the necessary corrective action.

Section 3. Easement Reserved for Governmental Entities and Public Utilities. An easement is hereby established for applicable governmental entities and municipal, state or public utilities serving the Subdivision, and their agents and employees, over all Lots and over Common Areas hereby or hereafter established, for the purpose of setting, removing, repairing, maintaining and reading utility meters, maintaining, repairing and replacing streets, utilities, utility or drainage connections, and acting for other purposes consistent with the public safety and welfare, including, without limitation, police and fire protection, the rights granted by such easements to be exercised in a reasonable manner and at reasonable times (except in the case of an emergency).

Section 4. Easements Shown On Recorded Maps. Declarant, for itself, its successors and assigns (including, without limitation, governmental entities and the Association), and in addition to those easements reserved in this Declaration, hereby reserves easements in the locations and for the purposes shown and indicated on all maps of Lots subject to this Declaration that are recorded in the Wake County, North Carolina Registry, and, for the purpose of exercising and implementing such easement rights, Declarant and the Association shall have the right of ingress, egress and regress over and upon those easement areas. The rights reserved by this Section include, without limitation, the right to construct, alter, place, maintain, repair, replace and use in the easement areas identified on such maps, all Improvements deemed necessary, in the reasonable discretion of the Declarant or the Association, for the full exercise of such easements.

ARTICLE XI

MAINTENANCE OF LOTS

Section 1. Duty of Maintenance. The Owner of each Lot in the Property shall have the duty and responsibility, at such Owner's sole cost and expense, to keep and maintain such Lot, including all Improvements thereon, ground and drainage easements or other easement areas or rights-of-way incident thereto, in accordance with the terms and

provisions of the Declaration and in a well-maintained, safe, clean and attractive condition at all times. Such maintenance includes, but is not limited to, the following:

- (a) Prompt removal of all litter, trash, refuse and wastes;
- (b) Lawn mowing and maintenance on a regular basis, including (subject to any applicable governmental laws or regulations) any portions of a public or private street right of way adjacent to any boundary of the Lot;
- (c) Tree and shrub pruning and removal of dead or diseased trees and shrubs;
- (d) Watering by means of a lawn sprinkler system or hand watering as needed;
- (e) Keeping exterior lighting and mechanical facilities in working order;
- (f) Keeping lawn and garden areas alive;
- (g) Removing any dead plant material;
- (h) Keeping vacant land well maintained and free of trash and weeds;
- (i) Keeping parking areas and driveways in good repair;
- (j) Complying with all governmental health and police requirements;
- (k) Repainting of Improvements; and
- (l) Repair of exterior damage to Improvements.

Section 2. Owner's Obligations to Repair. Except for those portions, if any, of each Lot which the Association is required to maintain or repair hereunder, each Owner shall, at such Owner's sole cost and expense, maintain and repair such Owner's Lot and the Improvements situated thereon, keeping the same in good condition and repair and in compliance with the covenants, conditions and restrictions herein contained. In the event that any Owner shall fail to maintain and repair such Owner's Lot and/or such Improvements as required hereunder, the Association, in addition to all other remedies available to it hereunder or at law or in equity, and without waiving any of such alternative remedies, shall have the right, through its agents and employees, to enter upon said Lot and to repair, maintain, and restore the Lot and the exterior of the buildings and any other improvements (including, without limitation, all Improvements) erected thereon; and each Owner (by acceptance of a deed for a Lot) hereby covenants and agrees to repay to the Association the cost thereof immediately upon demand, and the failure of any such Owner to pay the same shall carry with it the same consequences as the failure to pay any assessment hereunder

when due. The Association, at the cost of the Owner of the affected Lot, shall, if the Owner of such affected Lot fails to promptly (and in any event, within sixty (60) days following the date of the casualty) do so following the date of occurrence of the hereinafter described damage, cause any and all improvements situated upon a Lot which are damaged or destroyed by fire or other casualty to be repaired and/or removed so as not to present an unsightly appearance and/or unsafe condition, with the cost of same to be charged to and collected from the Owner in the manner provided in this Section.

Section 3. Enforcement. If any such Owner (or occupant of such Owner's Lot) has failed in any of the duties or responsibilities of such Owner as set forth in this Declaration, then the Association or Declarant may give such Owner written notice of such failure and such Owner must, within ten (10) days after receiving such notice (which notice shall be deemed to have been received upon deposit in an official depository of the United States mail, addressed to the party to whom it is intended to be delivered, and sent by certified mail, return receipt requested), perform the care and maintenance required or otherwise perform the duties and responsibilities of such Owner. Should any such Owner fail to fulfill this duty and responsibility within such period, then the Association or the Declarant, acting through its authorized agent or agents, shall have the right and power to enter onto the premises and perform such care and maintenance without any liability to any Person for damages for wrongful entry, trespass or otherwise. The Owner of a Lot on which such work is performed shall be liable to the Declarant or the Association for the cost of such work, together with interest on the amounts expended by the Association or the Declarant in performing such work computed at the highest lawful rate from the date(s) such amounts are expended until repaid, and for all costs and expenses (including attorney fees) incurred by Declarant or the Association in seeking the compliance of such Owner with the duties and responsibilities of Owners hereunder, and shall reimburse the Association or the Declarant, as the case may be, on demand for such costs and expense (including attorney fees and interest). If such Owner shall fail to reimburse the Association or the Declarant, as the case may be, within thirty (30) days after mailing to such Owner of a statement for such costs and expense by the Association or the Declarant, then, without limitation of any other rights of the Association or Declarant, the Association may issue a special assessment against such Owner, and may enforce and collect the same, as provided in the Sections of this Declaration relating to assessing, enforcing and collecting assessments.

ARTICLE XII

RIGHTS OF INSTITUTIONAL LENDERS

Section 1. Institutional Lenders. "Institutional Lender" as used herein shall mean and refer to banks, savings and loan associations, insurance companies or other Persons engaged in the business of loaning money secured by first liens on residential dwellings, including eligible insurers and governmental guarantors.

Section 2. Obligation of Association to Institutional Lenders. Any Institutional Lender who holds any first lien upon any Lot, or is the Owner of any Lot, such Institutional Lender shall have the following rights:

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

(b) To be given notice by the Association of the call of any meeting of the membership to be held for any of the following purposes: amendment to this Declaration; amendment to the Articles or Bylaws; any proposed abandonment or termination of the Association; any proposal to terminate professional management of the Association and assume self-management by the Association;

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

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

(e) To have the right to approve of any alienation, release, transfer, hypothecation or other encumbrance of the Common Property, other than those specific rights vested in the Association under this Declaration;

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

Section 3. Requirements of Institutional Lender. Whenever any Institutional Lender desires to avail itself of the rights afforded by this Article, it shall furnish written notice thereof to the Association by CERTIFIED MAIL at the address shown in the Articles of Incorporation (or most recent annual report filed with the North Carolina Secretary of State, if any) identifying the Lot or Lots upon which such Institutional Lender holds a first lien or identifying any Lot or Lots owned by such Institutional Lender, specify which rights it wishes to exercise and notices or other information it wishes to receive, and designate the address to which notices, reports or information are to be sent by the Association.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 1. Duration. This Declaration and the terms, covenants, restrictions and provisions set forth herein shall run with and bind the Property and shall inure to the benefit of every Owner of a Lot in the Property, including Declarant, and their respective heirs, successors, and assigns, for a term beginning on the date this Declaration is recorded and continuing through and including December 31, 2020. Beginning on and including January 1, 2021, the easements, covenants, conditions and restrictions herein shall be automatically extended for successive period(s) of ten (10) years each unless, at a duly called annual or special meeting of the Association at which a quorum is present held prior to the expiration of the applicable time period, termination of this Declaration is approved by the affirmative vote of seventy-five percent (75%) or more of the votes entitled to be cast by the Members present or represented by proxy. A vote by the membership on termination of this Declaration may be held only upon presentation to the Association of a petition for termination signed by Members possessing no less than twenty-five percent (25%) of the total eligible vote of the membership of the Association, which petition, in the case of an annual meeting of the Association, shall be presented to the Association prior to the date that notice of the annual meeting is sent to the Members. The Association shall give written notice of any annual or special meeting at which termination of this Declaration is to be considered and voted upon to all Owners at least thirty (30) days in advance of the date of such meeting, which notice shall set forth that termination of this Declaration will be considered and voted upon at such meeting. If the membership votes to terminate this Declaration, such termination shall be effective upon the expiration of the then applicable time period for which the Declaration is in existence, or shall be effective on such date thereafter as may be specified in the resolution of termination passed by the membership as required herein (it being the intention of this Section, notwithstanding anything to the contrary appearing herein, that if the membership has voted to terminate this Declaration, the membership may set a date of termination that may result in this Declaration continuing to be in effect for a period of less than ten (10) years following the expiration of a preceding time period in which this Declaration was in effect).

The quorum required at the annual or special meeting at which termination of this Declaration is to be considered by the membership pursuant to the petition filed with the Association shall be the presence of Members plus proxies entitled to cast sixty percent (60%) or more of the total vote of the membership. If such quorum is not present, subsequent meeting(s) may be called until a quorum is present, subject to the same notice requirements, and the required quorum at such subsequent meeting(s) shall be one-half (1/2) of the required quorum at the immediately preceding meeting.

If the Members vote to terminate this Declaration in accordance with the foregoing requirements, then the President and Secretary of the Association shall execute in recordable form a certificate which shall set forth at least the following information: the Resolution of

Termination adopted by the Association, the date of the meeting of the Association at which such resolution was adopted; the date that notice of such meeting was given, the total number of votes required to constitute a quorum at such meeting; the total number of votes present at such meeting; the total number of votes necessary to adopt the resolution terminating the Declaration; the total number of votes cast in favor of such resolution; and the total number of votes cast against the resolution. Such certificate shall be recorded in the Wake County, North Carolina Registry no later than thirty (30) days following the date such resolution of termination is passed by the membership, and such certificate may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

Section 2. Amendment. Subject to the limitations hereinafter contained, this Declaration or any Supplemental Declaration hereto may be amended or modified at any time prior to December 31, 2020 by an instrument signed by the Owners of not less than ninety percent (90%) of the Lots subject to this Declaration, and thereafter by an instrument signed by the Owners of not less than seventy-five percent (75%) of the Lots subject to this Declaration. No such amendment shall limit the rights of Declarant under this Declaration as long as there is a Class B Membership.

In addition to the foregoing rights, and notwithstanding anything to the contrary that may appear herein, Declarant may (at Declarant's option) at any time and from time to time amend or modify this Declaration and any Supplemental Declaration without obtaining the consent or approval of the Members or any other person or entity if such amendment or modification is necessary for any one or more of the following purposes: to correct an obvious typographical error; to cause this Declaration or any such Supplemental Declaration to comply with the requirements of FHA (Federal Housing Administration), VA (Veterans Administration), Fannie Mae (Federal National Mortgage Administration), Office Of Interstate Land Sales Registration of the Department Of Housing And Urban Development (OILSR) or other similar agency; to cause this Declaration or any such Supplemental Declaration to comply with the requirements of the Environmental Management Commission of the North Carolina Department of Environment, Health and Natural Resources (the "Commission" as previously defined herein); or as may be necessary to establish or maintain the tax exempt status of the Association under the laws of the United States or the State of North Carolina.

All amendments to this Declaration must be recorded in the Wake County, North Carolina Registry and shall not become effective until recorded. With respect to amendments that require approval of the Owners, all such amendments also shall be executed by the Association, following determination by the Board that the amendment has been duly approved by the required percentage of Owners (for the purpose of this determination, the Board may rely on its most current membership list and shall not be required to conduct any title examination of any Lot to determine ownership thereof). The Board shall make its determination (and cause the amendment(s) to be recorded if the Board determines that the required number of Owners have executed the amendment(s)) within thirty (30) days of receipt of the proposed amendment(s) purportedly signed by the required number of Owners.

If the Board determines that the required number of Owners have executed the proposed amendment(s), the Board shall cause the amendment(s) to be recorded along with a certificate executed by the Association as to the validity of the amendment(s), which certificate shall be substantially in the following form:

**"CERTIFICATION OF VALIDITY OF AMENDMENT TO DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR Glenmitt
Stone SUBDIVISION**

By authority of its Board of Directors, the Glenmitt Stone Community Association, Inc. certifies that the foregoing instrument has been duly executed by the Owners of _____ percent of the Lots subject to the Declaration Of Covenants, Conditions And Restrictions For Glenmitt Stone Subdivision, and is therefore a valid amendment to the existing Declaration.

IN WITNESS WHEREOF, the Glenmitt Stone Community Association, Inc. has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed, all by authority of its Board of Directors, this _____ day of _____,

Glenmitt Stone Community
Association, Inc.

Attest:

Secretary
(affix corporate seal here)"

By: _____
President

The appropriate notarization also shall be attached.

With respect to amendments by the Declarant which do not require the assent of the Owners, the Association also shall execute such amendments prior to the recordation thereof so that such amendments may be indexed in the Wake County Registry in the name of the Association as well as in the name of the Declarant. Such execution by the Association shall consist of a certificate attached to the amendment(s) in substantially the following form:

**"EXECUTION OF DECLARANT'S AMENDMENT TO DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR Glenmitt
Stone SUBDIVISION**

Glenmitt Stone Community Association, Inc. hereby executes this instrument at the request of Declarant but does not by the execution hereof certify to the validity of the amendment(s) contained herein.

Glenmitt Stone Community
Association, Inc.

Attest:

Secretary
(affix corporate seal here)"

By: _____
President

The appropriate notarization also shall be attached.

Section 3. Dissolution or Insolvency of the Association. The Association shall be dissolved upon the termination of this Declaration, or upon the written assent given in writing and signed by not less than two-thirds (2/3) of the Members of each class of membership, or upon such more restrictive or additional conditions and in such manner as otherwise provided by the laws of the State of North Carolina. Upon dissolution or insolvency of the Association or upon loss of ownership of the Common Area (once such ownership has been acquired) by the Association for any reason whatsoever (except for exchange or dedication or conveyance of any part or all of the Common Area as allowed by this Declaration or by reason of merger and/or consolidation with any other association as allowed by this Declaration), any portion of the Common Area not under the jurisdiction of and being maintained by another association substantially similar to the Association, together with all other assets of the Association, shall be offered to the Town of Cary, North Carolina, or to some other appropriate governmental entity or public agency (as determined by the Board) to be dedicated for public use for purposes similar to those to which the Common Area and such assets were required to be devoted by the Association. If the Town of Cary or such other appropriate governmental entity or public agency accepts the offer of dedication, such portion of the Common Area and assets shall be conveyed by the Association to the Town of Cary or such other appropriate governmental entity or public agency, subject to the superior right of the Owner of each Lot to an easement (if necessary) for reasonable ingress and egress to and from such Owner's Lot and the public or private street(s) on which such Lot is located, and subject to all other applicable rights of way and easements and subject to ad valorem property taxes subsequent to the date of such conveyance.

In the event that the Town of Cary or such other appropriate governmental entity or public agency refuses the offer of dedication and conveyance, the Association may transfer and convey such Common Area and assets to any nonprofit corporation, association, trust or other entity which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the Common Area was required to be devoted by

this Declaration, such conveyance to be made subject to the rights of Owners and other matters set forth in the immediately preceding paragraph.

Notwithstanding anything to the contrary appearing herein, the Association shall not enter into voluntary dissolution without having first made adequate provision for the continued proper operation and maintenance of the Disposal System, which provision shall include, without limitation, the transfer of the Disposal System and its facilities to some Person acceptable to and approved by the Commission as evidenced by the issuance of a new permit by the Commission to such Person.

Section 4. Enforcement. Declarant, the Association, and every Owner shall have the right to Enforce the terms, covenants, conditions, restrictions, easements, charges and liens for which provision is made in this Declaration, which enforcement shall be by any proceeding at law or in equity (or otherwise, as provided in this Declaration) against any Person violating or attempting to violate any such term, covenant, condition, restriction, easement, charge or lien either to restrain violation or to recover damages, and against the land, to enforce any lien created by these covenants; and failure by the Association, Declarant or any Owner to enforce any such term, covenant, condition, restriction, easement, charges or lien shall in no event be deemed a waiver of the right to do so thereafter or a waiver of any other or future violation of any of same.

Section 5. Severability of Provisions. If any paragraph, section, sentence, clause or phrase of this Declaration shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null or void, the remaining paragraphs, sections, sentences, clauses and phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. It is hereby declared that said remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases shall become or be illegal, null or void.

Section 6. Notice. Except as otherwise provided herein, whenever written notice to an Owner (including Declarant) is required hereunder, such notice shall be given by the mailing of same, postage prepaid, to the address of such Owner appearing on the records of the Association. If notice is given in such manner, such notice shall be conclusively deemed to have been given by placing same in the United States mail properly addressed, with postage prepaid, whether received by the addressee or not. It shall be the duty of each Owner to keep the Association informed of such Owner's current mailing address and telephone number. If an Owner has not provided the Association with the Owner's current mailing address the Association may use the street address of such Owner's Lot for that Owner's mailing address.

Section 7. Titles. The titles, headings and captions which have been used throughout this Declaration are for convenience only and are not to be used in construing this Declaration or any part thereof.

Section 8. Number and Gender. Whenever the context of this Declaration requires, the singular shall include the plural and one gender shall include all.

Section 9. No Exemption. No Owner or other party may exempt himself from the coverage hereof or obligations imposed hereby by non-use or abandonment of such Owner's Lot(s) or the Common Area.

Section 10. FHA/VA Approval. Notwithstanding any provision in this Declaration to the contrary, through and including December 31, 2023 the following actions shall require the approval of the Federal Housing Administration (FHA) or Veterans Administration (VA) if the Declarant desires to qualify parts or all of the Property for FHA or VA approvals: (i) annexation of Additional Property; (ii) amendment of this Declaration or of any applicable Supplemental Declaration; (iii) mergers and consolidations involving the Association; (iv) mortgaging of Common Area; (v) dedication of Common Area; (vi) transfer of title to the Common Area to another association; (vii) exchange of Common Area; (viii) dissolution of the Association;

Section 11. Subdivision, Combination of Lots. No Lot shall be subdivided without the written consent of Declarant. One or more Lots may be combined into a single Lot with the written consent of Declarant and, upon such combination and consent of Declarant, the resulting Lot shall be considered as one Lot for the purposes of this Declaration, except for the purposes of annual and special assessments. For the purposes of annual and special assessments such combined Lot shall be assessed in accordance with the number of Lots in the Subdivision that were combined to produce the new Lot. Provided, the foregoing shall not prohibit or restrict the right (which is hereby reserved) of Declarant to subdivide, combine, resubdivide, recombine, or re-record maps relating to, any Lots subject to this Declaration.

Section 12. Conflict Between Declaration and Articles, Bylaws. Whenever there exists a conflict between the provisions of this Declaration and the Articles or Bylaws, the provisions of this Declaration shall control, and whenever there is a conflict between the provisions of the Articles and Bylaws, the provisions of the Articles shall control.

Section 13. Laws of North Carolina and the United States. This Declaration shall be subject to and construed in accordance with the laws of the State of North Carolina and all applicable laws and regulations of the United States of America. Whenever there is a conflict between the provisions of this Declaration, any Supplemental Declaration or the Bylaws and any applicable laws of the State of North Carolina, the United States or any other governmental entity having jurisdiction over the Property, such laws shall control

Section 14. Assignment. Declarant specifically reserves the right, in its sole discretion, at any time and from time to time, to assign (temporarily or permanently) any or all of its rights, privileges and powers under this Declaration or under any Supplemental Declaration.

Section 15. Exempt Property. Notwithstanding anything to the contrary appearing in this Declaration, all portions of the Property that are dedicated to the Town of Cary (or other governmental entity) for public use or with respect to which title is transferred to the Town of Cary (or other governmental entity) for public use shall be exempt from the terms and conditions of this Declaration as long as such portions of the Property are held or used for public purposes, including, without limitation, street rights of way, sanitary sewer easements and Dedicated Common Area.

Section 16. Recordation Of Documents. Whenever there is any reference in this Declaration to the recordation of documents, unless there is a contrary reference associated therewith, the place of recordation shall be in the office of the Register of Deeds for Wake County, North Carolina.

(end of page)

IN WITNESS WHEREOF, Thomas G. Finch and Betty D. Finch, the Declarant, have hereunto set their hands and seals, having adopted the word "SEAL" appearing beside their signatures below as their seals for the execution of this instrument. And Central Carolina Bank And Trust Company and Southland Associates, Inc., Trustee, join in the execution of this instrument for the purpose of subordinating to the terms and conditions of this Declaration (i) the lien of that deed of trust recorded in the Wake County, North Carolina Registry in Book 6221, Page 0005, and (ii) the liens of those UCC Financing Statements recorded in the Wake County, North Carolina Registry in File No. 94-04952 and in the office of the North Carolina Secretary of State in File No. 1130309, such that any foreclosure or enforcement of lien rights in connection with said deed of trust or UCC Financing Statements will not void or terminate this Declaration, each by causing this instrument to be executed in its corporate name by its duly authorized officers and its corporate seal to be hereunto affixed, all by authority of its Board of Directors. The date of execution of this instrument shall be the last date it is signed by the signatories hereto, as evidenced by the acknowledgement of said signatures, and such date shall be entered in the first paragraph hereof.

Betty D. Finch (SEAL)
Betty D. Finch

Thomas G. Finch (SEAL)
Thomas G. Finch



[Signature]
Secretary
(affix corporate seal here)

Central Carolina Bank And Trust Company

By: [Signature] Vice
[Signature] President

Attest:
[Signature]
Secretary
(affix corporate seal here)

Southland Associates, Inc., Trustee

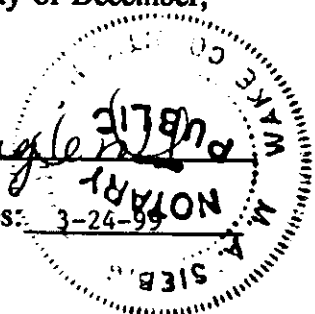
By: [Signature] President

North Carolina, Wake County

I, M. A. Siebigteroth, a Notary Public of the County and State aforesaid, certify that Thomas G. Finch and Betty D. Finch personally appeared before me this day and acknowledged the execution of the foregoing instrument. Witness my hand and official stamp or seal, this 16th day of December, 1994.

M. A. Siebigteroth
Notary Public

My Commission Expires: 3-24-99



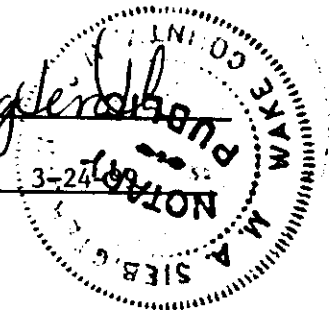
North Carolina, Wake County

I, M. A. Siebigteroth, a Notary Public of the County and State aforesaid, certify that Richard H. Glover personally appeared before me this day and acknowledged that he/~~she~~ is Assistant Secretary of Central Carolina Bank And Trust Company, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its corporate name by its Vice President, sealed with its corporate seal and attested by him/~~her~~ as its Assistant Secretary.

Witness my hand and official stamp or seal, this 16th day of December, 1994.

M. A. Siebigteroth
Notary Public

My Commission Expires: 3-24-99



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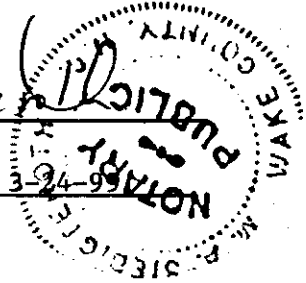
Declaration, page 49

North Carolina, Wake County

I, M. A. Siebigteroth, a Notary
Public of the County and State aforesaid, certify that Randy Powell
personally appeared before me this day and acknowledged that he/she is Assistant
Secretary of Southland Associates, Inc., Trustee, and that by authority duly given and as the
act of the corporation, the foregoing instrument was signed in its corporate name by its
Vice President, sealed with its corporate seal and attested by him/her:
as its Assistant Secretary.

Witness my hand and official stamp or seal, this 16th day of December, 1994.

M. A. Siebigteroth
Notary Public
My Commission Expires: 3-24-99



The foregoing certificate(s) of _____

M. A. Siebigteroth

is/are certified to be correct. This instrument and this certificate are duly registered at the
date and time and in the Book and Page shown on the first page hereof.

Kenneth C. Wilkins, Register of Deeds for Wake County, North Carolina

By: Barbara Oliver
Deputy/Assistant Register of Deeds

EXHIBIT A
TO
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
GLENMITT STONE SUBDIVISION

ALL of that tract of land located in Holly Springs Township, Wake County, North Carolina, bounded on the north by Thomas C. Markham, Homer Ray Jones, and Raymond N. Mills, on the east by Lot 2, Katherine Ogburn Subdivision and Gregory Lukowski, on the south by Surry Ridge Subdivision, Southwoods Subdivision, and Hallmark Subdivision, on the west by Hallmark Subdivision, and being more particularly described as follows:

BEGINNING at an existing iron pipe at the northeastern corner of Hallmark Subdivision in the southern line of Thomas C. Markham, said point having N.C. grid coordinates N = 215,257.950 meters and E = 628,469.267 meters and being located South 49 deg. 07 min. 45 sec. West 1534.40 feet from monument "SUNSET"; running thence with the southern line of Markham South 87 deg. 59 min. 47 sec. East 465.23 feet to an existing iron pipe; thence along the southern lines of Homer Ray Jones and Raymond N. Mills South 87 deg. 28 min. 08 sec. East 1201.70 feet to an existing iron pipe; thence along the western line of Lot 2, Katherine Ogburn Subdivision (as said subdivision is shown on a map recorded in the Wake County Registry in Book of Maps 1984, Page 1629) South 02 deg. 01 min. 58 sec. West 341.81 feet to an existing iron pipe at the northwest corner of Gregory Lukowski as shown on a map recorded in the Wake County Registry in Book of Maps 1984, Page 837 (also being the northwest corner of a 60 foot access easement; thence along the western line of Lukowski South 03 deg. 53 min. 04 sec. West 323.58 feet to an existing iron pipe; thence along the northern line of Surry Ridge Subdivision North 88 deg. 51 min. 15 sec. West 669.52 feet to an existing iron pipe thence along the northern line of Southwoods Subdivision South 89 deg. 36 min. 52 sec. West 602.26 feet to an existing iron pipe; thence along the northern line of Hallmark Subdivision South 89 deg. 36 min. 11 sec. West 361.34 feet to an existing iron pipe; thence along the eastern line of Hallmark Subdivision North 00 deg. 07 min. 18 sec. East 726.94 feet to the point of Beginning, containing 26.255 acres, more or less, and being the property of Thomas Glenn Finch and wife, Betty D. Finch according to a survey dated June 16, 1994, by Thompson & Associates, P.A., Raleigh, North Carolina.

SAVING AND EXCEPTING from the foregoing described property the following triangular shaped parcel:

BEGINNING at an existing iron pipe located at the southwestern corner of the foregoing described property and running thence along the eastern line of Lot 129 in the Hallmark Subdivision North 00 deg. 07 min. 18 sec. East 85.02 feet to an iron pipe set; thence along a new line South 26 deg. 32 min. 26 sec. East 94.70 feet to an iron pipe set; thence along the northern line of Lot 127 in the Hallmark Subdivision South 89 deg. 36 min. 11 sec. West 42.50 feet to the point of Beginning, and containing 0.041 acres, more or less.

SK6379PG0791

Declaration, page 51

EXHIBIT B
TO
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
GLENMITT STONE SUBDIVISION

ALL of Lots Nos. 1 through 11, inclusive, Lots Nos. 44 through 60, inclusive, and the rights of way of Mittglen Lane and Tri-Land Way, as the same are shown on a map recorded in the Wake County, North Carolina Registry in Book of Maps 1994, Page 1784, said map being incorporated by reference as if fully set out herein.

BK6379PG0792

STATE OF NORTH CAROLINA
COUNTY OF WAKEPermit No. WQ0009671OPERATIONAL AGREEMENT

This AGREEMENT made pursuant to G.S. 143-215.1 (d1) and entered into this 9TH day of August, 1994, by and between the North Carolina Environmental Management Commission, an agency of the State of North Carolina, hereinafter known as the COMMISSION; and GLENN FINCH, a corporation/general partnership registered/licensed to do business in the State of North Carolina, hereinafter known as the DEVELOPER.

WITNESSETH:

1. The DEVELOPER is the owner of the certain lands lying in WAKE County, upon which it is erecting and will erect dwelling units and other improvements, said development to be known as GLENMITT STONE SUBDIVISION (hereinafter the Development).
2. The DEVELOPER desires, to construct a wastewater collection system with pumps, wastewater treatment works and/or disposal facilities (hereinafter Disposal System) to provide sanitary sewage disposal to serve the Development on said lands.
3. The DEVELOPER has applied to the COMMISSION for the issuance of a permit pursuant to G.S. 143-215.1 to construct, maintain, and operate the Disposal System.
4. The DEVELOPER has created or shall create unit ownership in said dwellings units, other improvements and lands through filing of a Declaration of Unit Ownership (hereinafter Declaration), pursuant to Chapter 47C of the North Carolina General Statutes.
5. The DEVELOPER has caused to be formed or will cause to be formed at the time of filing of the Declaration the (Unit Owners Association) GLENMITT STONE HOMEOWNERS ASSOCIATION, (hereinafter Association) a non-profit corporation organized and existing under and by the virtue of the laws of the State of North Carolina, for the purpose, among others, of handling the property, affairs and business of the Development; of operating, maintaining, re-constructing and repairing the common elements of the lands and improvements subject to unit ownership, including the Disposal System; and of collecting dues and assessments to provide funds for such operation, maintenance, re-construction and repair.
6. The COMMISSION desires to assure that the Disposal System of the Development is properly constructed, maintained and operated in accordance with law and permit provisions in order to protect the quality of the waters of the State and the public interest therein.

NOW, THEREFORE, in consideration of the promises and the benefits to be derived by each of the parties hereto, the COMMISSION and DEVELOPER do hereby mutually agree as follows:

1. The DEVELOPER shall construct the Disposal System in accordance with the permit and plans and specifications hereafter issued and approved by the COMMISSION; and shall thereafter properly operate and maintain such systems and facilities in accordance with applicable permit provisions and law.
2. The DEVELOPER shall not transfer ownership and/or control of the Disposal System to the Association until construction has been completed in accordance with the permit and approved plans, and the staff of the Division of Environmental Management has inspected and approved of the facilities. In order to change the name of the permit holder, the DEVELOPER must request that the permit be reissued to the Association. The request must include a copy of the Association Bylaws and Declaration.
3. The DEVELOPER shall not transfer, convey, assign or otherwise relinquish or release its responsibility for the operation and maintenance of its Disposal System until a permit has been reissued to the DEVELOPER's successor.

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S & ENG'G UNIT

BK6379PG0793

4. The DEVELOPER shall provide in the Declaration and Association Bylaws that the Disposal system and appurtenances thereto are part of the common elements and shall thereafter be properly maintained and operated in conformity with law and the provisions of the permit for construction, operation, repair, and maintenance of the system and facilities. The Declaration and Bylaws shall identify the entire wastewater treatment, collection and disposal system as a common element which will receive the highest priority for expenditures by the Association except for Federal, State and local taxes, and insurance.
5. The DEVELOPER shall provide in the Declaration and Association Bylaws that the Disposal System will be maintained out of the common expenses. In order to assure that there shall be funds readily available to repair, maintain or construct the Disposal System, beyond the routine operation and maintenance expenses, the Declaration and Association Bylaws shall provide that a fund be created out of the common expenses. Such fund shall be separate from the routine maintenance allocated for the facility and shall be part of the yearly budget.
6. In the event the common expense allocation and separate fund are not adequate for the construction, repair, and maintenance of the Disposal System, the Declaration and Association Bylaws shall provide for special assessments to cover such necessary costs. There shall be no limit on the amount of such assessments, and the Declaration and Bylaws shall provide that such special assessments can be made as necessary at any time.
7. If a wastewater collection system and wastewater treatment and/or disposal facility provided by any city, town, village, county, water and sewer authorities, or other unit of government shall hereinafter become available to serve the Development, the DEVELOPER shall take such action as is necessary to cause the existing and future wastewater of the Development to be accepted and discharged into said governmental system; and shall convey or transfer as much of the Disposal System, and such necessary easements as the governmental unit may require as condition of accepting the Development's wastewater.
8. Recognizing that it would be contrary to the public interest and to the public health, safety and welfare if the Association to enter into voluntary dissolution without having made adequate provision for the continued proper maintenance, repair and operation of its Disposal System, the DEVELOPER shall provide in the Association Bylaws that the Association shall not enter into voluntary dissolution without first having transferred its said system and facilities to some person, corporation or other entity acceptable to and approved by the COMMISSION by the issuance of a permit.
9. The agreements set forth in numbered paragraphs 1, 2, 3, 4, 5, 6, 7, and 8 above shall be conditions of permit issued by the COMMISSION to the DEVELOPER for the construction, maintenance, repair and operation of the Disposal System.
10. A copy of this agreement shall be filed at the Register of Deeds in the County(ies) where the Declaration is filed and in the offices of the Secretary of State of North Carolina with the Articles of Incorporation of the Association.

IN WITNESS WHEREOF, this agreement was executed in duplicate originals by the duly authorized representative of the parties hereto on the day and year written as indicated by each of the parties named below:

FOR THE ENVIRONMENTAL
MANAGEMENT COMMISSION

A. Preston Howard, Jr., P.E., Director
Division of Environmental Management

August 9, 1994
(Date)

GLENN FINCH
Name of Developer/Company

By: Glenn Finch
Signature

GLENN FINCH / OWNER
Print Name and Title

July 22, 1994
(Date)

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

Wake County, NC 200
Laura M Riddick, Register Of Deeds
Presented & Recorded 08/05/1999 09:22:50
Book : 008382 Page : 00363 - 00365

STATE OF NORTH CAROLINA

COUNTY OF WAKE

**DECLARATION SUBJECTING ADDITIONAL LAND IN GLENMITT
STONE SUBDIVISION TO DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS RECORDED IN
BOOK 6379, PAGE 736, WAKE COUNTY REGISTRY, AS AMENDED**

THIS DECLARATION is made as of the 2 day of August, 1999, by
HABITECH ENTERPRISES, INC., a North Carolina corporation ("Declarant").

WITNESSETH:

WHEREAS, Thomas G. Finch and wife, Betty D. Finch (collectively, "Finch"), as Declarant, made that certain Declaration of Covenants, Conditions and Restrictions for Glenmitt Stone Subdivision recorded in Book 6379, Page 736, Wake County Registry, as amended by instrument recorded in Book 6634, Page 897, Wake County Registry (the "Covenants"), subjecting certain land in the Glenmitt Stone Subdivision ("Phase One") to the Covenants; and

WHEREAS, Finch conveyed to Declarant that certain real property described in deed recorded in Book 7049, Page 223, Wake County Registry (the "Property"), which property includes the following: (a) Phase One, and (b) Lots 12 through 43, inclusive, and rights-of-way, Glenmitt Stone Subdivision, Phase Two ("Phase Two"), as shown on plat recorded in Book of Maps 1997, Pages 1299 and 1300, Wake County Registry (the "Record Plat"); and

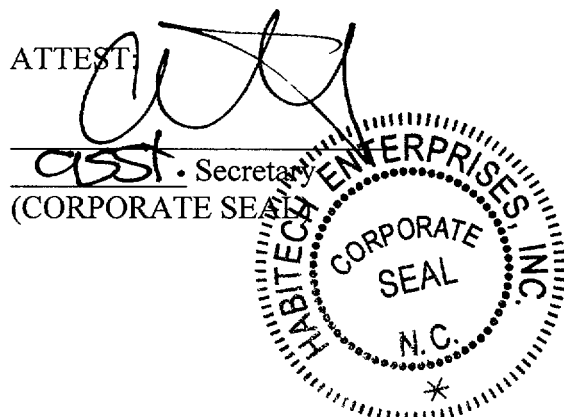
WHEREAS, in connection with the above transfer of the Property, Finch assigned to Declarant, pursuant to the terms of that certain Assignment of Declarant Rights recorded in Book 7747, Page 378, Wake County Registry (the "Assignment"), all of Declarant's rights under the Covenants, including, without limitation, the right to annex Additional Property to the Covenants, pursuant to Article II, Section 2 thereof; and

WHEREAS, Declarant now wishes to subject Phase Two to the Covenants.

NOW, THEREFORE, the Declarant hereby declares that Phase Two is and shall be annexed to and held, transferred, occupied, used, sold and conveyed subject to all of the terms, requirements and conditions of the Covenants, the provisions of which are incorporated herein by this reference.

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

ATTEST:



HABITECH ENTERPRISES, INC.

By:

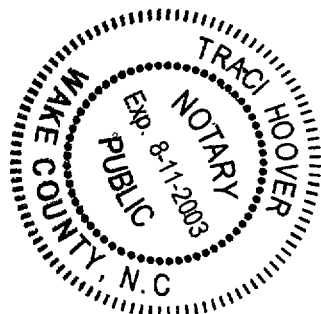
[Signature]
President

STATE OF NORTH CAROLINA

COUNTY OF WAKE

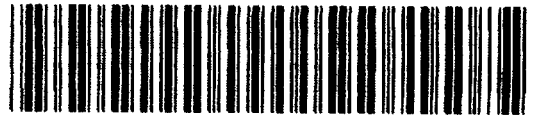
I, the undersigned Notary Public of the aforesaid County and State, hereby certify that Ashley Watson personally came before me this day and acknowledged that (s)he is ASST. Secretary of HABITECH ENTERPRISES, INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President, sealed with its corporate seal, and attested by its ASST. Secretary.

Witness my hand and official seal or stamp, this the 2 day of August, 1999.



[Signature]
Notary Public

My Commission Expires: _____



Book : 000382 Page : 00363 - 00365



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

The foregoing certificate _____ of Irani Hoover

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

Laura M. Riddick, Register of Deeds

By: Mary M. Fisher
Assistant/Deputy Register of Deeds

This Customer Group
_____ # of Time Stamps Needed

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3 New Time Stamp
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