

Prepared By: James B. Watkins
Please Hold For: Moore & Alphin, PLLC
(Box 155) (DDD)

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DECLARATION OF
COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
TOWN HALL COMMONS

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**DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
TOWN HALL COMMONS**

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR TOWN HALL COMMONS ("Protective Covenants") is made this 16th of May, 2002, by CENTEX HOMES, a Nevada general partnership, its successors and assigns ("Declarant"), who is joined in by TOWN HALL ASSOCIATES, LLC, a North Carolina limited liability company ("LLC").

WHEREAS, Declarant is the owner in fee simple of the real property more particularly described on Exhibit A ("Declarant Property") attached hereto and made a part hereof.

WHEREAS, LLC is the owner in fee simple of the real property more particularly described on Exhibit "B" ("LLC Property") attached hereto and made a part hereof; and

WHEREAS, the Declarant Property and the LLC Property are herein also referred to as the "Total Property". The Declarant Property and any portion of the LLC Property or any other additional real property made subject to these Protective Covenants as provided herein is referred to as the "Property".

WHEREAS, Declarant and LLC are planning and developing a community on the Total Property to be known as "TOWN HALL COMMONS" (referred to as "Town Hall Commons" or the "Project") in multiple separate stages as hereinafter set forth; and

WHEREAS, upon the later of (i) the completion by Declarant of certain recreational improvements described in these Protective Covenants, and (ii) Declarant's conveyance of the completed recreational improvements to the Association (referred to in the following paragraph), LLC or its successors in ownership of the LLC Property shall be required to bring the LLC Property under the provisions of these Protective Covenants and make the LLC Property part of the Property; and

WHEREAS, the Declarant Property is the first stage of development of Town Hall Commons and the subsequent stages shall consist of the LLC Property and any other additional contiguous property which is made subject to these Protective Covenants pursuant to Section B of Article II hereof; and

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities established to create a North Carolina non-profit corporation known as the Town Hall Commons Property Owners Association, Inc., to which there have been and will be delegated and assigned: (i) certain powers and duties of ownership, operation, administration, maintenance and repair of portions of the Property, including, but not limited to, the "Association Property" (as hereinafter defined); (ii) the enforcement of the covenants and restrictions contained herein; and (iii) the collection and disbursement of the "Operating Expenses" (as hereinafter defined); and

WHEREAS, in order to develop and maintain Town Hall Commons as a planned residential community and to preserve the values and amenities of such community, it is necessary to declare, commit and subject the Property and the improvements now or hereafter constructed thereon to certain land use covenants, restrictions, reservations, regulations, burdens, liens, and easements; and to delegate and assign to the Association certain powers and duties of ownership, administration, operation, maintenance and enforcement; and

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Declarant hereby declares that the Property shall be owned, held, used, transferred, sold, conveyed, demised and occupied subject to the covenants, restrictions, easements, reservations, regulations, burdens and liens hereinafter set forth, all of which shall run with the Property and any part thereof and which shall be binding upon all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns.

ARTICLE I
DEFINITIONS

A. "Additional Property" means the LLC Property and any other real property which is contiguous to the Property and acquired by the Declarant as provided in Section B of Article II, which may be subjected to the terms of these Protective Covenants in accordance with the provisions of Sections B of Article II.

B. "Amendment(s)" mean(s) any and all amendments to these Protective Covenants, all of which shall be consecutively numbered beginning with the "First Amendment to the Declaration of Protective Covenants and Restrictions for Town Hall Commons" and each of which shall be properly adopted pursuant to the terms of the Association Documents and recorded in the Public Records; provided, however, the failure to so consecutively number such amendments shall not impair their validity hereunder and such amendments to the extent not otherwise numbered will be deemed to have been numbered in chronological order of their appearance in the Public Records.

C. "Articles" mean the Articles of Incorporation of the Association.

D. "Assessments" mean the assessments for which all Owners are obligated to the Association and include "Individual Lot Assessments", "Individual Expense Assessments" and "Special Assessments" (as such terms are defined in Article V hereof) and any and all other assessments which are levied by the Association in accordance with the Association Documents.

E. "Association" means Town Hall Commons Property Owners Association, Inc., a North Carolina corporation not for profit.

F. "Association Documents" mean in the aggregate these Protective Covenants, the Articles and Bylaws, and all of the instruments and documents referred to or incorporated therein, including, but not limited to, amendments to any of the foregoing, as applicable.

G. "Association Property" means the lands, systems, facilities, rights and easements which may be deeded, leased, granted, reserved, assigned or transferred to the Association. as described in Section D of Article II hereof, or as designated Association Property by the Declarant prior to the Turnover Date, and thereafter by the Association, together with all improvements thereon and equipment, facilities and rights associated therewith. The Association Property includes, but is not limited to, the Recreation Center, the Entryway Areas, and the Town Hall Drive Landscape Area, and those areas described in Section D of Article II hereof. Association Property shall also include personal property and interests therein transferred to or acquired by the Association if so designated.

H. "Board" means the Board of Directors of the Association.

- I. "Bylaws" means the Bylaws of the Association.
- J. "Committee" means the Architectural Control Committee for the Property as established and empowered as provided in Article X of these Protective Covenants.
- K. "Contributing Lot" means any Lot which (a) has been issued a certificate of occupancy for a Home constructed thereon by the appropriate governmental agency (except for any such Lots owned by LLC, or during the Guarantee Period, by Declarant), or (b) is designated a Contributing Lot by the Declarant in the deed of conveyance or any other instrument recorded among the Public Records of the County, upon which an affirmative covenant to pay Assessments, as more particularly set out in Article IV hereof, is imposed.
- L. "Contributing Lot Owner" means the Owner of a Contributing Lot.
- M. "County" means Wake County, North Carolina.
- N. "Declarant" means Centex Homes, a Nevada general partnership, and any successor or assign thereof, which acquires any Lot from Declarant for the purpose of development and to which Centex Homes specifically assigns all or part of the rights of Declarant hereunder by an express written assignment recorded in the Public Records of the County.
- O. "Director" means a member of the Board.
- P. "Final Plat" means a final subdivision plat or recombination plat approved by the Town consistent with the Site Plan for a portion of the Property and recorded in the Public Records of the County.
- Q. "Future Lot" means a plot of land within a Tract, as reflected by the current Site Plan for the Property, which is intended to become a Lot when that portion of the Tract becomes subject to a Final Plat.
- R. "Home" means a residential dwelling unit in Town Hall Commons intended as an abode for one family constructed upon a Lot, which may be detached or attached to another Home on an adjacent Lot.
- S. "Improvement" means any building, fence, wall, patio area, driveway, walkway, antenna, satellite dish, sign, mailbox, pool, tennis court, deck, or other structure or improvement, including landscaping, which is constructed, made, installed, attached, placed or developed within or upon, or removed from, any portion of the Property, or any change, alteration, addition or removal of any such structure or improvement other than normal maintenance and repair which does not materially alter or change the exterior appearance, condition and color of same.
- T. "Institutional Mortgage" means any lending institution owning a first mortgage covering a Home or Lot, including any of the following institutions:

1. Any federal or state savings and loan association or bank, or real estate investment trust, or mortgage banking company or any subsidiary thereof, or a national banking association chartered under the laws of the United States of America; or

2. Any "secondary mortgage market institution", including the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and such other secondary mortgage market institution as the Board shall hereafter approve in writing; or

3. Any pension or profit-sharing funds qualified under the Internal Revenue Code; or

4. Any and all investing or lending institutions, or the successors and assigns of such lenders ("Lenders"), which purchase mortgages on any portion of the Property from any other Institutional Mortgagee; or

5. Such other institutional lenders as the Board shall hereafter approve in writing as an Institutional Mortgagee which have acquired a mortgage upon any portion of the Property; or

6. Declarant, if Declarant holds a mortgage on any portion of the Property and the transferee of any mortgage encumbering the Property which was originally held by Declarant; or

7. Any life insurance company; or

8. The Veterans Administration ("VA") or the Federal Housing Administration or the Department of Housing and Urban Development ("HUD").

U. "Interest" means the maximum nonusurious interest rate allowed by law on the subject debt or obligation, and if no such rate is designated by law, then twelve percent (12%) per annum.

V. "LLC" means Town Hall Associates, LLC, a North Carolina limited liability company.

W. "Legal Fees" mean reasonable fees for attorney and paralegal services incurred in connection with: (i) negotiation and preparation for litigation, whether or not an action is actually begun, through and including all trial and appellate levels and post-judgment proceedings; (ii) collection of past due Assessments including, but not limited to, preparation of notices and liens; and (iii) court costs through and including all trial and appellate levels and post-judgment proceedings.

X. "Lot" means a portion of the Property as shown on a Final Plat, upon which a Home is permitted to be erected.

Y. "Member" means a member of the Association.

Z. "Neighborhood" means any portion of the Property developed as a separate neighborhood within the Project, as established by a Final Plat or Plats for such property, for which separate "Sub-Association Covenants" or "Neighborhood Covenants" may be imposed.

AA. "Neighborhood Covenants" means a declaration of restrictive covenants or similar instrument containing specific use restrictions and requirements burdening the Lots and the Lot Owners within a particular Neighborhood, which Declarant may record for a Neighborhood on any portion of the Property owned by Declarant, as applicable. Neighborhood Covenants shall be applicable only to Neighborhoods that are not subject to any Sub-Association Covenants.

BB. "New Town Hall Drive" means the public street right-of-way which crosses the Property to be dedicated to the Town as the extension of the existing street known as Town Hall Drive from McKrimmon Parkway to Morrisville Parkway. The "Residential Portion of New Town Hall Drive" means that portion of New Town Hall Drive that is contiguous to the Project, extending from McKrimmon Parkway to the southern boundary of the Total Property.

CC. "Owner" means the owner of the fee simple title to a Lot or a Tract and includes Declarant and LLC for so long as Declarant and LLC are the owners of the fee simple title to a Lot or a Tract, but excluding those having such interest merely as security for the performance of any obligation and excluding purchasers under executory contracts of sale of a Lot.

DD. "Person" means a natural individual or any other entity with the legal right to hold title to real property.

EE. "Planned Community Act" means the North Carolina Planned Community Act (Chapter 47F of the North Carolina General Statutes), as may be amended or supplemented from time to time.

FF. "Private Park Area" means those portions of the Property identified on a Final Plat or the Site Plan as a delineated parcel of land for use as a private park or recreation area, open space, conservation or natural area, or other open recreation area to be owned by the Association.

GG. "Property" means the real property subjected to these Protective Covenants as such may exist from time, which as of the current date, consists of the real property more particularly described on Exhibit A. The term "Property" shall also mean any portion of the LLC Property or other Additional Property made subject to these Protective Covenants as provided for herein by the recordation of a Supplement.

HH. "Protective Covenants" means this document and any amendments and supplements hereto.

II. "Public Park Area" means those portions of the Property which are or shall be dedicated to the Town to meet the Town's public park requirement as identified on a Final Plat or the Site Plan.

JJ. "Public Records" means the office of the County Register of Deeds.

KK. "Recreation Center" means that portion of the Property and all Improvements thereon shown on the Site Plan or a Final Plat as a recreation center or amenity center, which shall be used for recreation and social purposes.

LL. "Retention Ponds" means those portions of the Property which are shown on the Site Plan or a Final Plat as a delineated parcel of real property which contains all or any portion of a storm

water retention or detention pond, or similar body of water designed and developed as part of the Storm Water Management System. A "Future Retention Pond" means any portion of the Property shown on the Site Plan or a Final Plat as a delineated parcel of real property that is reserved for use as a Retention Pond in the future.

MM. "Site Plan" means the preliminary subdivision plan or plans for Town Hall Commons approved or on file with the Town, with regard to the development of the Project, as such Site Plan may be supplemented or amended from time to time to reflect modifications which are approved by the Town.

NN. "Special Filtration Devices" means the downspout infiltration devices (and related equipment and facilities) which may be installed by Declarant on the exterior of all or some of the Homes as part of a storm water collection and filtration system for the Lots on which such Homes are located, which will function as part of the Storm Water Management System for the Property.

OO. "Storm Water Management System" means the drainage areas, drainage easements, retention areas, storm water piping systems, drains, catch basins and other related apparatus and facilities intended to provide storm water management and control for the Property.

PP. "Sub-Association" means any residential owners association organized for the benefit of the Owners within any portion of the Property developed as a separate and distinct Neighborhood pursuant to Sub-Association Covenants recorded in the Public Records for such purposes.

QQ. "Sub-Association Covenants" means a declaration of covenants, conditions, restrictions and other provisions recorded in the Public Records by Declarant, LLC or the owner or developer of a separate Neighborhood, for the purposes of providing for the maintenance and operation of any Sub-Association Property within the Neighborhood.

RR. "Sub-Association Property" means the real property, together with any improvements thereon, located within the Property and owned by a Sub-Association, whether in fee, by easement or otherwise, for the common use and enjoyment by the members of the Sub-Association as such Sub-Association Property is designated on a Final Plat for any Neighborhood. The Sub-Association Property shall be maintained by the applicable Sub-Association and is restricted for use only by the members of such Sub-Association.

SS. "Total Property" means collectively, the Declarant Property and the LLC Property, all of which is planned for the development of Town Hall Commons.

TT. "Town" means the Town of Morrisville, Wake County, North Carolina.

UU. "Town Hall Commons" or the "Project" means the single-family residential community planned for development on the Property in multiple separate stages.

VV. "Town Hall Drive Landscape Area" means the area of the Residential Portion of New Town Hall Drive in which landscaping improvements and street lighting are to be installed and maintained, as designated on the Site Plan or a Final Plat.

WW. "Town Hall Drive Landscape Expenses" means the expenses incurred by or on behalf of the Association for the maintenance, preservation and replacement of the landscaping improvements within the Town Hall Drive Landscape Area.

XX. "Total Planned Lots" means the total number of Lots planned for Town Hall Commons by the Site Plan as such may exist from time to time and as reflected by the Site Plan as may be updated from time to time with the approval of the Town. For the purposes hereof, the term "Total Planned Lots" shall mean four hundred sixty-five (465) Lots, as such number may be adjusted to reflect changes in the Site Plan which are approved by the Town.

YY. "Tract" means any portion of the Property that is not subject to a Final Plat, as such may exist from time to time

ZZ. "Turnover Date" means the earlier of (i) the date when seventy-five percent (75%) of the Total Planned Lots have been improved with a Home and conveyed to an Owner other than a successor Declarant for use as a primary residence, (ii) the date on which Declarant records in the Public Records a document relinquishing its control of the Association to the members at large, or (iii) the date that is ten (10) years following the date these Protective Covenants are first recorded in the Public Records.

ARTICLE II
PLAN OF DEVELOPMENT:
ASSOCIATION PROPERTY; RULES AND REGULATIONS

A. Plan of Development

Declarant and LLC plan to develop (or cause the development of) the Project in multiple stages. The real property which, initially, is and shall be held, transferred, sold, conveyed and occupied subject to these Protective Covenants is more particularly described on Exhibit A and is planned to contain a total of one hundred seventy six (176) Lots and the Association Property located on the Property. The subsequent stages are intended to consist of two hundred eighty nine (289) Lots and the Association Property located on the LLC Property described on Exhibit "B". Additional subsequent stages, if any, may consist of Lots and Association Property located within any Additional Property made subject to these Protective Covenants pursuant to Section B.2 of Article II as shown on a Final Plat of such property.

Declarant's general plan of development of Town Hall Commons contemplates the construction of Homes thereon and, further, that various improvements will be constructed on the Lots and other portions of the Property which will enhance Town Hall Commons and benefit the Owners of all Lots, however there is no obligation imposed by these Protective Covenants on Declarant to build a Home on any particular Lot. Declarant's general plan of development further contemplates that such Homes shall be whatever types of structures Declarant may choose (subject to the applicable zoning and density requirements of the applicable governmental authorities). Declarant's general plan of development of Town Hall Commons is reflected by the Site Plan and may also include whatever facilities and amenities Declarant considers in its sole judgment to be appropriate to the community. Declarant reserves the right to increase or decrease the number of Lots or Future Lots reflected and/or

permitted by the Site Plan as approved by the Town in accordance with applicable law, and such change shall not require an amendment to these Protective Covenants.

B. Additional Property.

1. LLC Property. Prior to the Turnover Date, Declarant may, from time to time, bring any portion of the LLC Property acquired by Declarant under the provisions of these Protective Covenants and thereby add same to the Town Hall Commons community by recording a "Supplement", which Supplement shall not require the consent of the then existing Owners, the Association or any other Person (except if applicable, the consent of HUD/VA as provided in Section B.5 of this Article II). The Supplement may contain such complementary additions and modifications to the terms of these Protective Covenants as may be necessary or desirable to reflect the different character, if any, of the portion of the LLC Property being subjected to these Protective Covenants and as are not inconsistent with the general scheme of these Protective Covenants. To the extent that any portion of the LLC Property is made part of Town Hall Commons by a Supplement, reference herein to the Property shall be deemed to include such portion of the LLC Property. Notwithstanding the foregoing, Declarant is not obligated to add to the Property, to develop any additional property under a common scheme, or be prohibited from changing development plans with respect to future portions of Town Hall Commons comprised of any portion of the LLC Property. All Owners by acceptance of a deed to their Lots, consent to any change, rezoning or addition made by Declarant and shall evidence such consent in writing if requested to do so by Declarant at any time without obviating the effect of this provision..

Notwithstanding the foregoing, upon the later of (i) the completion by Declarant of the Improvements for the Recreation Center, and (ii) Declarant's conveyance of the completed Recreation Center and the land on which the Recreation Center is located to the Association, LLC, or its successors in ownership of the LLC Property shall be required to bring the LLC Property under the provisions of these Protective Covenants and add the LLC Property to the Project, at which time Declarant and LLC shall execute and record a Supplement, which Supplement shall not require the consent of the then existing Owners, the Association or any other Person (except if applicable, the consent of HUD/VA as provided in Section B.5 of this Article II).

2. Other Contiguous Property. Prior to the Turnover Date, Declarant shall have the right, without the approval or joinder of the Association, the Owners or any other Person (except if applicable, the consent of HUD/VA as provided in Section B.5 of this Article II, and if applicable, the consent of LLC as provided in Section O of Article XIII), to bring under the provisions of these Protective Covenants and thereby add to the Town Hall Commons community, any real property owned or acquired by Declarant which is contiguous to the Property or which is contiguous with a public or private street adjacent to the Property, provided that the annexation of such real property is for the purposes of reflecting changes or modifications to the Site Plan which have been approved by the Town. To the extent that such portion of the Additional Property is thereafter made part of Town Hall Commons by a Supplement, reference herein to the Property shall be deemed to include such portion of the Additional Property, including such portion being deemed part of the Site Plan for Town Hall Commons and the number of Total Planned Lots shall be increased by the number of Lots (if any) depicted on the final subdivision plat of such portion of the Additional Property.

3. Annexation by Owners. After the Turnover Date, upon the vote or written consent of the Owners of not less than ninety (90%) of the Lots, any Additional Property may be brought under the

provisions of these Protective Covenants and thereby added to the Town Hall Commons community, provided that the annexation of such real property is for the purposes of reflecting changes or modifications to the Site Plan which have been approved by the Town. To the extent that any Additional Property approved for annexation by the Owners after the Turnover Date is thereafter made part of Town Hall Commons by a Supplement, reference herein to the Property shall be deemed to include such property.

4. Association Property within Additional Property. If any Additional Property is made part of Town Hall Commons and subjected to these Protective Covenants by the recording of a Supplement as provided above, any Association Property located within such newly annexed portion of the Property shall be conveyed to the Association prior to the date the first Lot in such property is conveyed to an Owner as provided in Section D.16 of this Article II.

5. HUD/VA Approval. If prior to the Turnover Date, the Property is subject to the requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency that insures, guaranties, or purchases mortgages, the annexation of any additional property requires the prior approval of HUD/VA.

C. Withdrawal. Prior to the Turnover Date, Declarant reserves the right to amend these Protective Covenants at any time, without prior notice and without the consent of any Person (except if applicable, the consent of HUD/VA as provided above) for the purpose of removing certain portions of the Property then owned by Declarant from the provisions of these Protective Covenants to the extent that such real property was included originally in error or as a result of changes in the plans for Town Hall Commons desired by Declarant.

D. Association Property. The Association Property is for the use, enjoyment, and benefit of the Association and the Owners, the residents of the Property, and their respective guests and invitees, tenants, the Institutional Mortgagees, and subject to the ordinances of the Town and other applicable governmental authorities, and any other person authorized to use the Association Property or any portion thereof by Declarant or the Association for all proper and reasonable purposes and uses for which same are reasonably intended, subject to the terms of these Protective Covenants, and the terms of any easement, restriction, reservation or limitation of record affecting the Association Property or contained in the deed or instrument conveying the Association Property to the Association. The Association Property shall consist of the property hereinafter described.

1. Storm Water Management System. Certain portions of the Storm Water Management System may consist of Association Property, while other portions shall be owned and maintained by the Town or other applicable governmental entity, a Sub-Association, or a Lot Owner. The Association shall use and maintain those portions of the Storm Water Management System owned by the Association, if any, substantially in the same fashion as constructed by Declarant. Some Retention Ponds may be owned by a Sub-Association if the Retention Pond functions solely for the benefit of that Neighborhood. The Owner of the Lot and the Home on which a Special Filtration Device is installed shall maintain and repair such Special Filtration Device, unless such Lot is subject to Sub Association Covenants which specifically provide for the maintenance of the Special Filtration Devices by the Sub Association.

2. Roadways and Rights of Way. Any portion of the Property shown on a Final Plat as a public roadway, street (collectively, "Roadway") or right of way ("Right of Way") and all improvements

thereon shall be dedicated to the Town or other applicable governmental agency as a public right-of-way for ingress and egress to and from all portions of the Property (except any portion of a Neighborhood for which access is provided by private street rights-of-way owned by a Sub-Association). Except for the Town Hall Drive Landscape Area, the Association shall have no responsibility for the maintenance thereof, but shall have the right, to provide supplemental maintenance together with the Town or other governmental agency, as the Board may determine in its sole discretion. Any portion of the Property shown on the Final Plat as a private street roadway ("Private Roadway") or right of way ("Private Right of Way") and all improvements thereon shall be kept and maintained by the applicable Sub-Association substantially in the same condition and fashion as constructed by Declarant and in accordance with governmental standards. Private Roadways and Private Rights of Way shall provide a means of ingress and egress to and from all portions of the applicable Neighborhood and the public Roadways for the use of the Sub-Association, Declarant, the Owners in the Neighborhood, and their guests, licensees, lessees and invitees. There is hereby reserved and granted to the Town, the County, the United States of America, and other applicable governmental entities, a non-exclusive easement across such Private Roadways and Private Rights of Way for all governmental purposes including, but not limited to, provision for the following services: police and fire protection, garbage collection, mail delivery, building inspection, and all other available public services.

3. Landscape Areas. Any portion of the Property shown on a Final Plat as a landscape area, landscape easement or otherwise established for landscape use ("Landscape Areas") shall be used and maintained by the Association substantially in the same fashion as constructed by Declarant. To the extent that any portion of a Landscape Area is located upon any Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of Declarant and the Association as provided in Section B.8 of Article VIII. The Town Hall Drive Landscape Area is located within the right-of-way for New Town Hall Drive, but the Association shall be responsible for the costs and expenses associated with maintenance of the landscaping improvements and street lighting within the Town Hall Drive Landscape Area pursuant to a cost-sharing agreement entered into between the Town, Declarant and the owners of the property which abuts the portion of New Town Hall Drive that is excluded from the Residential Portion of New Town Hall Drive.

4. Private Park Areas. Any portion of the Property shown on a Final Plat as a separate parcel of property for use as a private park or recreation area, permanent open space, conservation or natural area or otherwise established for use as an open recreation area shall be owned by the Association. Any Private Park Area shall be used and maintained by the Association in accordance with any applicable requirements and regulations of the Town and other applicable governmental authorities.

5. Entryway and Signage Areas. Any portion of the Property shown on a Final Plat as an entryway area or easement and the Improvements thereon ("Entryway Area") or signage area or easement and the Improvements thereon ("Signage Area") shall be used and maintained by the Association in substantially the same fashion as landscaped and constructed by Declarant. To the extent that any portion of an Entryway Area or Signage Area is located upon any Lot, an easement upon the applicable portion of such Lot is hereby reserved in favor of Declarant and the Association as provided in Section B.8 of Article VIII.

6. Retention Ponds. The portions of the Property designated on any Final Plat as a parcel which includes any portion of a storm water retention or detention area ("Retention Pond") shall always be kept and maintained as an area for water retention, drainage and water management purposes in

compliance with applicable governmental and water management district requirements. Except for any Retention Ponds designated on a Final Plat for ownership and maintenance by a Sub Association, such Retention Ponds shall be a part of the Association Property and shall be maintained, administered, and owned by the Association. Declarant hereby reserves and grants an easement in favor of the Association and Declarant throughout all portions of the Property for the purpose of maintaining and administering such Retention Ponds and no Owner shall do any act which may interfere with the performance of the Association in its obligations hereunder. All Owners shall be subject to the restrictions on the use of the Retention Ponds as provided in Article XI.

7. Recreation Center. That portion of the Project shown on the Site Plan or a Final Plat as a recreation center, recreation area, amenity site, or amenity area ("Recreation Center") shall be part of the Association Property and shall be used for recreational purposes by the Association, Declarant and the Lot Owners and their family members, guests, invitees and lessees. Individuals entering the Recreation Center must carry identification which may be checked by an agent or employee of the Association. Such portion, if any, of the Recreation Center upon which Declarant has constructed, or hereinafter constructs, Improvements shall be kept and maintained for use in a manner consistent with the nature of such Improvements located or to be located thereon. The Recreation Center shall be used for recreational purposes and such proper ancillary uses as may be determined by Declarant (who shall have the right to determine such uses until the Association assumes such right after the Turnover Date). All remaining portions of the Recreation Center shown on the Site Plan, including, but not limited to, the swimming pool, shall always be kept and maintained by the Association for recreational uses or beautification and attendant uses (e.g., parking spaces within the Recreation Center shall be used for proper purposes by those using the recreational facilities while using such facilities) and shall be used for such purposes and not for residential, commercial or industrial construction of any kind. The Recreation Center shall be maintained, administered and ultimately owned by the Association.

Declarant shall construct Improvements upon the Recreation Center area consisting of a 6-lane swimming pool with a diving area, a kiddie pool, clubhouse and adjacent parking spaces, substantially as shown on Exhibit "C" (the "Recreation Center Improvements").

Declarant shall complete the Recreation Center Improvements and convey the Recreation Center Improvements and the land on which the Recreation Center is located to the Association on or before June 30, 2007. If Declarant conveys the Recreation Center land to the Association prior to Declarant's completion of the Improvements thereon, such conveyance shall be subject an exclusive right and easement in favor of Declarant to use and enter upon the Recreation Center Land to construct the Recreation Center Improvements.

Until the Turnover Date, Declarant shall have and hereby reserves the right, but shall not be obligated, to construct additional recreational facilities upon the Recreation Center. Until the Turnover Date, the decision as to whether to construct additional recreational facilities and the construction thereof shall be in the sole discretion of Declarant.

NEITHER DECLARANT OR THE ASSOCIATION SHALL BE OBLIGATED TO PROVIDE SUPERVISORY PERSONNEL FOR THE RECREATION CENTER, INCLUDING, BUT NOT LIMITED TO, LIFEGUARDS. ANY INDIVIDUAL USING THE RECREATION CENTER SHALL DO SO AT HIS OWN RISK AND HEREBY HOLDS DECLARANT AND THE ASSOCIATION HARMLESS FROM AND AGAINST ANY CLAIM OR LOSS ARISING FROM SUCH USE.

8. Other Property. In addition to the Association Property specifically described in this Section D of Article II, Association Property shall also consist of such other property, real or personal, and interests therein as may be determined by Declarant to be of use or benefit to the Association, its Members or Town Hall Commons and designated as Association Property by Declarant.

9. Maintenance of Other Property benefiting the Association. In addition to the Association Property specifically set forth in these Protective Covenants, the maintenance responsibility of the Association may include, without limitation, any landscaping on public roadways or other property adjacent to the Property selected by the Board for maintenance and determined by the Board as benefiting Town Hall Commons with the approval of the owner of such property or the governmental authority responsible for maintenance of same.

10. Right to Add Additional Improvements. Such portions of the Association Property upon which Declarant has constructed, or hereinafter constructs, Improvements shall be kept and maintained for use in a manner consistent with the nature of such Improvements located, or to be located thereon. Until the Turnover Date, Declarant reserves the right, but shall not be obligated, to construct additional facilities upon the Association Property. Until the Turnover Date, the decision as to whether to construct additional facilities and the construction thereof shall be in the sole discretion of Declarant.

11. Administration and Costs of Maintenance. Except as specifically provided to the contrary herein, all costs associated with operating and maintaining the Association Property shall be the obligation of the Association; such costs shall be an Operating Expense. The Association Property shall be conveyed to the Association in accordance with the provisions of Section D. 16 of this Article II. The administration, management, operation and maintenance of the Association Property shall be the responsibility of the Association, all as is provided herein and in the other Association Documents.

12. Private Use. Except as may otherwise be expressly provided for herein, for the term of these Protective Covenants, the Association Property is not for the use and enjoyment of the public, but is expressly reserved for the private use and enjoyment of Declarant, the Association, and the Lot Owners in Town Hall Commons, their family members, guests, invitees and lessees, and any other Person authorized to use the Association Property or any portion thereof by Declarant or the Association but only in accordance with these Protective Covenants and the laws of the Town and the applicable governmental authorities.

13. Declarant's Rights to Use Association Property. Notwithstanding anything in these Protective Covenants to the contrary, however, Declarant, hereby expressly reserves the right to use the Association Property and the Lots in connection with the sale and marketing by Declarant of Homes in Town Hall Commons and Additional Properties developed by Declarant, including, but not limited to, the holding of sales and marketing meetings, sales promotions and related activities.

14. Sub-Association Property. The Sub-Association is not for the common use and enjoyment of the Owners, but is limited to use by the Lot Owners who are members of the applicable Sub Association and who reside in the Neighborhood in which the Sub-Association Property is located. The Sub-Association Property shall be owned and maintained by the Sub-Association for the Neighborhood in which the Sub Association Property is located and shall be used by the Sub-Association and its members in accordance with the provisions of the applicable Sub-Association Covenants.

15. Public Park Areas. Any portions of the Property indicated on a Final Plat as a "public dedication area", a public park, or a "public land and greenway dedication" area to be dedicated to the Town are referred to herein as the Public Park Areas, and may be owned by the Association or by the Town, but regardless of ownership, shall be used, operated and maintained by the Town (unless the Town requires the Association to maintain such area) pursuant to the terms of the ordinances and requirements of the Town with respect to public park and recreation areas. Because the Public Park Areas are not Association Property, the Public Park Areas are not subject to the provisions of these Protective Covenants regarding the ownership, conveyance, use, operation, maintenance and restriction of Association Property. The use, improvement, maintenance repair and operation of the Public Park Areas shall be controlled by the Town. Neither Declarant nor the Association makes any representation, express or implied, regarding the Town's plans for the use, improvement, development, maintenance or operation of the Public Park Areas. The Public Park Areas shall be subject to the rights of the Town and the public in and to such area, and no Owner shall take any action which would interfere with those rights.

16. Conveyance of Association Property. Declarant agrees that fee simple title to the Association Property shall be conveyed to the Association by deed, bills of sale, easements or leases, as applicable, and the Association is obligated to accept, fee simple title to the Association Property, as applicable, subject to: (i) the terms and provisions of these Protective Covenants; (ii) all applicable Association Documents; (iii) real estate taxes for the year of such conveyance; (iv) all applicable zoning ordinances; and (v) utility and drainage easements. While Declarant shall have the right to convey or cause to be conveyed all or such portions of the Association Property as Declarant shall from time to time determine, the conveyance of the Association Property located within any portion of the Property shall be effectuated no later than the sale by Declarant of the first Lot shown on the Final Plat for such portion of the Property. Notwithstanding the foregoing, if the Property is subject to the requirements of the VA, The Federal Housing Administration ("FHA"), the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, the conveyance of Association Property shall be effectuated no later than the date that the United States Department of Housing and Urban Development ("HUD") insures the first mortgage in the portion of the Property in which the Association Property is located. At the time of conveyance of the Association Property or any portion thereof, the Association shall be required to accept such conveyance of the Association Property or portions thereof and the personal property and improvements appurtenant thereto. The Association hereby agrees to accept the Association Property and the personal property and improvements appurtenant thereto "AS IS", without any representation or warranty, expressed, implied, in fact or by law, as to the condition or fitness of the Association Property or portions thereof and the personal property and improvements thereon, subject to the obligation of Declarant to convey the Association Property to the Association free of any liens or encumbrances, including, but not limited to, any mortgages, deeds of trust, or mechanic's or materialmen's liens for any work performed by or on behalf of such developers for the completion of the Improvements to the Association Property.

Notwithstanding anything contained in these Protective Covenants to the contrary, the Association Property shall not be mortgaged or conveyed by the Association without (i) the approval of two-thirds (2/3) of the Members (other than Declarant), and (ii) compliance with and satisfaction of the applicable provisions of the Planned Community Act (if any), including the affirmative approval of any higher percentage of Members or of votes attributable to the Members

(or each class of Members) than the percentage specified herein as may be prescribed by the Planned Community Act. Easements granted or permitted in the Association Property and conveyances of portions of the Association Property to make minor boundary adjustments, shall not be considered to be a conveyance of such Association Property and shall not require the approval or consent of the Owners or any other party or Person.

In addition, if prior to the Turnover Date, the Property is subject to the requirements of VA, FHA, the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, the Association Property cannot be mortgaged or conveyed by the Association without the prior approval of HUD/VA.

17. Rules and Regulations. The Association shall, from time to time, impose rules and regulations regulating the use and enjoyment of the Association Property. The rules and regulations so promulgated shall, in all respects, be consistent with the provisions of the Association Documents. The right to use the Association Property shall be subject to the rules and regulations established by the Association. The rules and regulations shall not apply to Declarant or LLC as an Owner.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION;
BOARD; DURATION OF THE ASSOCIATION

A. Membership and Voting Rights. Each Member shall be entitled to the benefit of, and be subject to, the provisions of the Association Documents. The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be established and terminated as set forth below:

1. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot or Tract which is subject to the Protective Covenants, including contract sellers, shall be a Member of the Association. Membership in the Association for Owners other than Declarant or LLC shall be established by the acquisition of ownership of fee title to a Lot as evidenced by the recording of an instrument of conveyance amongst the Public Records. Membership for Declarant and LLC shall be established upon the date these Protective Covenants are recorded in the Public Records. Membership shall be appurtenant to and may not be separated from ownership of a Lot or Tract. Upon termination of ownership, an Owner's membership shall automatically terminate and be automatically transferred to the new Owner of the Lot or Tract. Where title to a Lot is acquired by conveyance from a party other than Declarant by means of sale, gift, inheritance, devise, judicial decree or otherwise, the person, persons or entity thereby acquiring such Lot shall not be a Member unless or until such Owner shall deliver a true copy of a deed or other instrument of acquisition of title to the Association, but if the Lot so acquired is a Contributing Lot as defined in these Protective Covenants, the person, persons or entity thereby acquiring such Lot shall be deemed to be a Contributing Lot Owner upon the acquisition of such Lot and liable to the Association for Assessments attributable to such Lot in accordance with the provisions of Article IV and V, regardless of the membership status of such Contributing Lot Owner.

2. The Association shall have two (2) classes of voting membership:

i. "Class A Members" shall be all Members, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot or Future Lot owned.

ii. "Class B Members" shall be Declarant who shall be entitled to three (3) votes for each Lot or Future Lot owned by Declarant. Class B membership shall cease and be converted to Class A membership upon the Turnover Date.

On the Turnover Date, Class A Members, including Declarant, shall assume control of the Association and elect the Board.

3. The designation of different classes of membership is for the purposes of establishing the number of votes applicable to certain Lots, and, nothing herein shall be deemed to require voting solely by an individual class on any matter which requires the vote of Members, unless otherwise specifically set forth in Association Documents.

4. No Member may assign, hypothecate or transfer in any manner his membership in the Association except as an appurtenance to his Lot or Tract.

5. Any Member who conveys or loses title to a Lot by sale, gift, devise, bequest, judicial decree or otherwise shall, immediately upon such conveyance or loss of title, no longer be a Member with respect to such Lot and shall lose all rights and privileges of a Member resulting from ownership of such Lot, but shall remain personally liable to the Association for any unpaid Assessments levied upon the subject Lot which accrue during the period of such Person's ownership of the Lot.

6. There shall be only one (1) vote for each Lot or Future Lot, except for Class B Members as set forth herein. If there is more than one Member with respect to a Lot as a result of the fee interest in such Lot being held by more than one person, then all such persons shall be Members, but no more than one vote shall be cast with respect to any Lot. The vote for any such Lot shall be exercised as the Members holding an interest in such Lot determine among themselves. In the event of disagreement, the decision of Members holding a majority of interest in such Lot shall govern. Fractional voting shall not be allowed. Unless otherwise notified by a co-owner as to a dispute between the co-owners regarding their vote prior to the casting of that vote, the vote of any co-owner shall be conclusively presumed to be the majority vote of the Owners of that Lot.

7. Unless a higher percentage is required by these Protective Covenants, the Bylaws, the Articles, or the Planned Community Act, a quorum shall consist of persons entitled to cast at least twenty percent (20%) of the total number of votes of the Members.

B. Board. The Association shall be governed by the Board, which shall be appointed, designated or elected, as the case may be, as set forth in the Bylaws.

C. Duration of Association. The duration of the Association shall be perpetual, as set forth in the Articles.

ARTICLE IV
COVENANT TO PAY ASSESSMENTS FOR OPERATING EXPENSES;
ESTABLISHMENT OF LIENS; COLLECTION OF ASSESSMENTS; COLLECTION BY
DECLARANT; CERTAIN RIGHTS OF DECLARANT AND INSTITUTIONAL MORTGAGEES;
NON-MONETARY DEFAULTS; FINES

A. Affirmative Covenant to Pay Operating Expenses. In order to: (i) fulfill the terms, provisions, covenants and conditions contained in the Association Documents; and (ii) maintain, operate and preserve the Association Property for the use, safety, welfare and benefit of the Members and their family members, guests, invitees and lessees, there is hereby imposed upon each Contributing Lot and Contributing Lot Owner (with the exception of Declarant for so long as Declarant pays the Deficit during the Guarantee Period referred to in Section F of Article V) the affirmative covenant and obligation to pay to the Association (in the manner herein set forth) all Assessments, including, but not limited to, the Individual Lot Assessments, Special Assessments and Individual Expense Assessments. Each Owner (except, if applicable as provided in Section F of Article V, Declarant) by acceptance of a deed or other instrument of conveyance conveying a Lot within the Property from Declarant, whether or not it shall be so expressed in such deed or instrument, shall be obligated and agrees to pay to the Association all Assessments for Operating Expenses in accordance with the provisions of the Association Documents.

B. Establishment of Liens. Any and all Assessments made by the Association in accordance with the provisions of the Association Documents with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Contributing Lot against which each such Assessment is made. Each Assessment against a Contributing Lot, together with Interest thereon, including, but not limited to, Legal Fees, shall be the personal obligation of the Contributing Lot Owner of such Contributing Lot. Said lien shall be effective only from and after the time of the recordation amongst the Public Records of the County of a written, acknowledged statement by the Association setting forth the amount due to the Association as of the date the statement is signed. Upon full payment of all sums secured by that lien, the party making payment shall be entitled to a satisfaction of the statement of lien in recordable form. Notwithstanding anything to the contrary herein contained, where an Institutional Mortgagee of record obtains title to a Contributing Lot as a result of foreclosure of its first mortgage or deed in lieu of foreclosure, such acquirer of title, its successors or assigns, shall not be liable for the share of Assessments pertaining to such Contributing Lot or chargeable to the former Contributing Lot Owner thereof which became due prior to the acquisition of title as a result of the foreclosure or deed in lieu thereof, unless the Assessment against the Contributing Lot in question is secured by a claim of lien for Assessments that is recorded prior to the recordation of the mortgage which was foreclosed or with respect to which a deed in lieu of foreclosure was given.

C. Collection of Assessments. In the event any Contributing Lot Owner shall fail to pay any Assessment (or installment thereof) charged to such Contributing Lot Owner within fifteen (15) days after the same becomes due, then the Association, through its Board, shall have any and all of the following remedies to the extent permitted by law, which remedies are cumulative and which remedies are not in lieu of, but are in addition to, all other remedies available to the Association:

1. To accelerate the entire amount of any Assessments for the remainder of the calendar year notwithstanding any provisions for the payment thereof in installments.

2. To advance on behalf of the Contributing Lot Owner(s) in default funds to accomplish the needs of the Association up to and including the full amount for which such Contributing Lot Owner(s) is liable to the Association and the amount or amounts of monies so advanced, together with Interest and all costs of collection thereof, including, but not limited to, Legal Fees, may thereupon be collected by the Association and such advance by the Association shall not waive the default.

3. To file an action in equity to foreclose its lien at any time after the effective date thereof. The lien may be foreclosed by an action in the name of the Association in like manner as a foreclosure of a mortgage on real property.

4. To file an action at law to collect said Assessment plus Interest and Legal Fees, without waiving any lien rights or rights of foreclosure in the Association.

5. To charge Interest on such Assessment from the date it becomes due, as well as a late charge of Twenty-Five Dollars (\$25.00) by the Association to defray additional collection costs.

D. Collection by Declarant. In the event for any reason the Association shall fail to collect the Assessments, then, in that event, Declarant shall at all times have the right prior to the Turnover Date (but not the obligation): (i) to advance such sums as the Association could have advanced as set forth above; and (ii) to collect such Assessments and, if applicable, any such sums advanced by Declarant; using the remedies available to the Association against a Contributing Lot Owner as set forth in Section C of this Article IV, which remedies (including, but not limited to, recovery of Legal Fees) are hereby declared to be available to Declarant.

E. Rights of Declarant and Institutional Mortgagees to Pay Assessments and Receive Reimbursement. Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singly, and at their sole option, to pay any of the Assessments which are in default and which may or have become a charge against any Contributing Lots. Further, Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singly, and, at their sole option, to pay insurance premiums or fidelity bond premiums or other required items of Operating Expenses on behalf of the Association where the same are overdue and where lapses in policies or services may occur. Declarant and any Institutional Mortgagees paying overdue Operating Expenses on behalf of the Association will be entitled to immediate reimbursement from the Association plus Interest and any costs of collection including, but not limited to, Legal Fees, and the Association shall execute an instrument in recordable form to this effect and deliver the original of such instrument to each Institutional Mortgagee who is so entitled to reimbursement and to Declarant if Declarant is entitled to reimbursement.

F. Rental and Receiver. If an Owner remains in possession of his Home and the claim of lien of the Association against his Lot is foreclosed, the court, in its discretion, may require the Owner to pay a reasonable rental for the Home, and the Association is entitled to the appointment of a receiver to collect the rent.

G. Assignment of Claim and Lien Rights. The Association, acting through its Board, shall have the right to assign its claim and lien rights for the recovery of any unpaid Assessments and any other monies owed to the Association, to any third party.

H. Unpaid Assessments Certificate. Within fifteen (15) days after written request by any Owner or any Institutional Mortgagee holding or making a mortgage encumbering any Lot, the Association shall provide the Owner or Institutional Mortgagee a written certificate as to whether or not

the Owner of the Lot is in default with respect to the payment of Assessments or with respect to compliance with the terms and provisions of these Protective Covenants, and any person or entity who relies on such certificate in purchasing or in making a mortgage loan encumbering any Lot shall be protected thereby.

I. Application of Payments. Any payments made to the Association by any Owner shall first be applied towards any sums advanced and paid by the Association for taxes and payment on account of superior mortgages, liens or encumbrances which may have been advanced by the Association in order to preserve and protect its lien, next toward reasonable attorneys' fees incurred by the Association incidental to the collection of assessments and other moneys owned to the Association by the Owner and/or for the enforcement of its lien; next towards interest on any Assessments or other moneys due to the Association, as provided herein, and next towards any unpaid Assessments owed to the Association, in the inverse order that such Assessments were due.

J. Non-Monetary Defaults. In the event of a violation by any Owner or any tenant of an Owner, or any person residing with them, or their guests or invitees, (other than the non-payment of any Assessment or other monies) of any of the provisions of these Protective Covenants, the Articles, the Bylaws or the rules and regulations of the Association, the Association shall notify the Owner and any tenant of the Owner of the violation, by written notice. If such violation is not cured as soon as practicable and in any event within seven (7) days after such written notice, or if the violation is not capable of being cured within such seven (7) day period, if the Owner or tenant fails to commence and diligently proceed to completely cure such violation as soon as practicable within seven (7) days after written notice by the Association or if any similar violation is thereafter repeated, the Association may, at its option:

1. Impose a fine against the Owner or tenant as provided in Section K of this Article IV;
and/or
2. Commence an action to enforce the performance on the part of the Owner or tenant, or for such equitable relief as may be necessary under the circumstances, including injunctive relief; and/or
3. Commence an action to recover damages; and/or
4. Take any and all actions reasonably necessary to correct such failure, which action may include, where applicable, but is not limited to, removing any addition, alteration, improvement or change which has not been approved by the "Committee" or erected in accordance with the Committee's approval (as herein defined), or performing any maintenance required to be performed by these Protective Covenants.

All expenses incurred by the Association in connection with the correction of any failure, plus a service charge of ten percent (10%) of such expenses, and all expenses incurred by the Association in connection with any legal proceedings to enforce these Protective Covenants, including reasonable Legal Fees, shall be assessed against the applicable Owner as an Individual Expense Assessment in accordance with Section D of Article V. The Association shall have a lien for any such Individual Expense Assessment and any interest, costs or expenses associated therewith, including Legal Fees incurred in connection with such Assessment, and may take such action to collect such Assessment or foreclose said lien as in the case and in the manner of any other Assessment as provided above. Any such lien shall only be effective from and after the recording of a claim of lien in the Public Records of the County in which the Property is located.

K. Fines. The amount of any fine shall be determined by the Board, and shall not exceed the greater of \$25.00 or one (1) month's Assessment for Operating Expenses for the first offense, the greater of \$50.00 or two (2) months' Assessment of Operating Expenses for a second similar offense, and the greater of \$100.00 or three (3) months' Assessment for Operating Expenses for a third or subsequent similar offense. Notwithstanding the foregoing, if any violation of these Protective Covenants or the rules and regulations is of a continuing nature, and if the Owner fails to cure any continuing violation within thirty (30) days after written notice of such violation, or if such violation is not capable of being cured within such thirty (30) day period, if the Owner fails to commence action reasonably necessary to cure the violation within such thirty (30) day period or shall thereafter fail to diligently proceed to cure the violation as soon as is reasonably practical, a daily fine may be imposed until the violation is cured in an amount not to exceed the greater of \$10.00 or 1/4 of one (1) months' Assessment for Operating Expenses. Prior to imposing any fine, the Owner or tenant shall be afforded an opportunity for a hearing after reasonable notice to the Owner or tenant of not less than fourteen (14) days, which notice shall include (i) a statement of the date, time and place of the hearing, (ii) a statement of the provisions of these Protective Covenants, Bylaws or rules and regulations which have allegedly been violated, and (iii) a short and plain statement of the matters asserted by the Association. The Owner of a leased Home shall have the right to participate in any hearing involving the tenant of such Home, and the Association shall provide notice to the Owner of such Home concurrently with the Association's notice to the tenant of the subject Home. The Owner or tenant shall have an opportunity to respond, to present evidence, and to provide written and oral argument on all issues involved and shall have an opportunity at the hearing to review, challenge and respond to any material considered by the Association. At the hearing, the Board shall conduct a reasonable inquiry to determine whether the alleged violation in fact occurred, and if the Board so determines, it may impose such fine as it deems appropriate by written notice to the Owner or tenant. If the Owner or tenant fails to attend the hearing as set by the Board, the Owner or tenant shall be deemed to have admitted the allegations contained in the notice to the Owner or tenant. Any fine imposed by the Board shall be due and payable within ten (10) days after written notice of the imposition of the fine, or if a hearing is timely requested within ten (10) days after written notice of the Board's decision at the hearing. Any fine levied against an Owner shall be deemed an Individual Expense Assessment, and if not paid when due all of the provisions of these Protective Covenants relating to the late payment of Assessments shall be applicable. If any fine is levied against a tenant and is not paid within ten (10) days after same is due, the Association shall have the right to evict the tenant as hereinafter provided.

L. Negligence. An Owner shall be liable and may be assessed by the Association for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, to the extent otherwise provided by law and to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of a Lot or Home or the Association Property.

M. Responsibility of an Owner for Occupants, Tenants, Guests, and Invitees. To the extent otherwise provided by law, each Owner shall be responsible for the acts and omissions, whether negligent or willful, of any person residing in his Home, and for all guests and invitees of the Owner or any such resident, and in the event the acts or omissions of any of the foregoing shall result in any damage to the Association Property, or any liability to the Association, the Owner shall be assessed for same as in the case of any other Assessment, limited where applicable to the extent that the expense or liability is not met by the proceeds of insurance carried by the Association. Furthermore, any violation

of any of the provisions of these Protective Covenants, the Articles, or the Bylaws, by any resident of any Home, or any guest or invitee of an Owner or any resident of a Home, shall also be deemed a violation by the Owner, and shall subject the Owner to the same liability as if the violation was that of the Owner.

N. Right of the Association to Evict Tenants, Occupants, Guests and Invitees. With respect to any tenant or any person present in any Home or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Home, if such person shall materially violate any provision of these Protective Covenants, the Articles, or the Bylaws, or shall create a nuisance or an unreasonable and continuous source of annoyance to the residents of the Property, or shall willfully damage or destroy any Association Property or personal property of the Association, then upon written notice by the Association such person shall be required to immediately leave the Property and if such person does not do so, the Association is authorized to commence an action to evict such tenant or compel the person to leave the Property and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have a lien for same as elsewhere provided. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Owner of a leased Home concurrently with any notices sent to the tenant of such Home pursuant to this Section N of Article IV, and such Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Owner's Home. The right of eviction provided for in this section shall be inserted in every lease, but the omissions from the lease agreement of such right shall not affect the right to evict as set forth herein.

O. No Waiver. The failure of the Association to enforce any right, provision, covenant or condition which may be granted by these Protective Covenants, the Articles, or the Bylaws, shall not constitute a waiver of the right of the Association to enforce such right, provision, covenant or condition in the future.

P. Rights Cumulative. All rights, remedies and privileges granted to the Association pursuant to any terms, provisions, covenants or conditions of these Protective Covenants, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude the Association from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

ARTICLE V

METHOD OF DETERMINING ASSESSMENTS AND ALLOCATION OF ASSESSMENTS

A. Determining Amount of Assessments.

1. The total anticipated Operating Expenses for each calendar year shall be set forth in the budget ("Budget") prepared by the Board as required under the Association Documents. The total anticipated Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) shall be apportioned equally among the Contributing Lots by dividing the total anticipated Operating Expenses as reflected by the Budget, other than those Operating Expenses which are properly the subject of a Special Assessment (adjusted as hereinafter set forth), by the total number of Contributing Lots (as evidenced by the issuance of a certificate of occupancy), with the quotient thus arrived at being the "Individual Lot Assessment". Notwithstanding anything in the Association Documents to the contrary, any assessment for legal expenses incurred by the Association to begin legal

proceedings against Declarant shall be deemed an Operating Expense which is properly the subject of a Special Assessment and not the subject of a regular Individual Lot Assessment.

2. Notwithstanding the foregoing, during the Guarantee Period referred to in Section F of this Article V, Contributing Lot Owners (with the exception of LLC and, for so long as Declarant pays the Deficit during the Guarantee Period referred to in Section F of this Article V, Declarant) shall pay Individual Lot Assessments in an amount which shall not exceed the Guaranteed Assessment Amount referred to in Section F of this Article V.

3. On January 1 of the first full calendar year following the date of expiration of the Guarantee Period (the "Budget Adjustment Year"), the amount of the Individual Lot Assessment shall be adjusted to the amount determined by the Budget for such year in the manner specified above. For each year following the Budget Adjustment Year, the amount of the Individual Lot Assessment may be increased effective January 1 of the subject year without a vote of the membership, but subject to the limitation that the percentage of any such increase shall not exceed 15% of the amount of the Individual Lot Assessment for the previous year unless such increase is approved as set forth below. The 15% limitation shall not apply to the Budget Adjustment Year.

4. Subsequent to expiration of the Budget Adjustment Year, the amount of the Individual Lot Assessment may be increased by more than 15%, without limitation, if such increase is approved by not less than two-thirds (2/3) of all Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws.

B. Assessment Payments. The Individual Lot Assessments shall be payable in advance in monthly, quarterly, annual or semi-annual installments with the due dates being established by the Board. The Individual Lot Assessments, and the installments thereof, as well as all Assessments provided for herein and all installments thereof may be adjusted following the Guarantee Period from time to time by the Board to reflect changes in the number and status of Contributing Lots (thus apportioning all such Assessments and installments thereof among all Contributing Lots in existence at the time such installment is due) or changes in the Budget or in the event that the Board determines that the Assessments or any installment thereof is either less than or more than the amount actually required. When a Contributing Lot not in existence when the Assessment was determined ("New Improved Lot") comes into existence during a period with respect to which an Assessment or installment thereof has already been assessed, the New Improved Lot shall be deemed assessed the amount of such Assessment or installment thereof which was assessed against Lots which qualified as Contributing Lots in existence at the time of such Assessment, prorated from the date the New Improved Lot comes into existence through the end of the period in question. If the due date for such Assessment or installment thereof occurred on or prior to the date the New Improved Lot came into existence, said prorated amount thereof shall be immediately due and payable on the date the New Improved Lot comes into existence.

C. Special Assessment. "Special Assessments" include, in addition to other Assessments designated as Special Assessments in the Association Documents and whether or not for a cost or expense which is included within the definition of "Operating Expenses", those Assessments which are levied for capital improvements which include the costs (whether in whole or in part) of constructing or acquiring improvements for, or on, the Association Property or the cost (whether in whole or in part) of reconstructing or replacing such improvements. It is recognized and declared that Special Assessments shall be in addition to, and are not part of, any "Individual Lot Assessment". Any such Special Assessments assessed against Contributing Lots and Contributing Lot Owners thereof shall be paid by

such Contributing Lot Owners in addition to any other assessments. Special Assessments shall be assessed in the same manner as the Individual Lot Assessment. Special Assessments shall be paid in such installments or in a lump sum as the Board shall, from time to time, determine. Notwithstanding the foregoing, in any fiscal year of the Association after the Turnover Date, the levying of any Special Assessment shall require the affirmative assent of at least two-thirds (2/3) of all Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws. In any fiscal year of the Association prior to the Turnover Date, the levying of any Special Assessment which exceeds five (5%) of the budgeted Operating Expenses of the Association for that fiscal year, shall require the affirmative assent of at least two-thirds (2/3) of all Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws.

D. Individual Expense Assessments. Individual Expense Assessments include any Assessment levied against any Lot Owner occasioned by such Lot Owner's or any such Lot Owner's family members, guests, invitees or lessees and their family members, guests and invitees use, maintenance, or treatment of the Association Property or Lots or such person's non-compliance with the Association Documents including, but not limited to, non-compliance of Homes and any other Improvements or personal property contained therein with the standards set forth in the Association Documents, or as adopted from time to time by the Association, which causes the Association or Declarant to incur additional costs and expenses which would not have been incurred if the Lot Owner's or the Lot Owner's family members, guests, invitees or lessees and their family members, guests and invitees had been in compliance with the foregoing ("Noncompliance"). The amount of the Individual Expense Assessment(s) shall be equal to any such additional costs incurred. The Individual Expense Assessment and any late charges relating thereto shall be assessed against the Lot Owner(s) in Noncompliance and collected and enforced in the same manner as any other Assessments hereunder as provided herein.

Notwithstanding anything to the contrary contained herein, it is recognized and declared that Individual Expense Assessments shall be in addition to and not part of any other Assessment, any such Individual Expense Assessment assessed against a Lot Owner shall be paid by such Lot Owner in addition to any other Assessment. If the Association assumes the right and obligation to maintain and operate the community well water system or is required to collect payment from the Owners for the consumption of water or any other utility service provided to the Lots or Homes thereon, any charges for such utility consumption by the occupants of the Home on a Lot may be charged to the applicable Owner by the Association as an Individual Expense Assessment.

E. Liability of Contributing Owners for Individual Assessments. By the acceptance of a deed or other instrument of conveyance of a Lot in the Property, each Owner thereof acknowledges that each Contributing Lot and the Contributing Lot Owners thereof are jointly and severally liable for their own Individual Lot Assessment and their applicable portion of any Special Assessments as well as for all Individual Expense Assessments for which they are liable as provided for herein, provided that during the Guarantee Period referred to in Section F of this Article V, any Contributing Lot owned by Declarant shall not be subject to Assessment so long as Declarant pays the Deficit as provided in said Section F of this Article V. Such Contributing Lot Owners further recognize and covenant that they are jointly and severally liable with the Contributing Lot Owners of all Contributing Lots for the Operating Expenses (subject to any specific limitations provided for herein such as, but not limited to, the limitation with respect to matters of Special Assessments, the limitations on the liability of Institutional Mortgagees and

their successors and assigns, and as provided below, the limitations on Contributing Lots owned by Declarant during the Guarantee Period so long as Declarant pays the Deficit). Accordingly, subject to such specific limitations, it is recognized and agreed by each Owner who is or becomes a Contributing Lot Owner, for himself and his heirs, executors, successors and assigns, that in the event other Contributing Lot Owners fail or refuse to pay their Individual Lot Assessment or any portion thereof or their respective portions of any Special Assessments or any Individual Expense Assessments, then the remaining Contributing Lot Owners may be responsible for increased Individual Lot Assessments or Special Assessment or other Assessments due to the nonpayment by such other Contributing Lot Owners, and such increased Individual Lot Assessment or Special Assessment or other Assessment can and may be enforced by the Association and Declarant in the same manner as all other Assessments hereunder as provided in the Association Documents.

F. Guaranteed Assessment During Guarantee Period. Declarant covenants and agrees with the Association and the Contributing Lot Owners that for the period commencing with the date of recordation of these Protective Covenants and ending upon the sooner to occur of (i) date upon which two hundred fifty (250) Lots have become Contributing Lots, or (ii) the date that is four (4) years following the date these Protective Covenants are first recorded in the Public Records ("Guarantee Period"), that the amount of the Individual Lot Assessment will not exceed the amount of Three Hundred Dollars (\$300.00) for any consecutive twelve (12) month period (the "Guaranteed Assessment Amount") and that Declarant will pay the difference, if any, between (a) the Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) incurred by the Association during the Guarantee Period, and (b) the Guaranteed Assessment Amounts assessed as Individual Lot Assessments against the Contributing Lots and the "Working Capital Contributions" set forth in Section G of this Article V (the "Deficit"), which will be used to defray initial start up expenses. Thus, during the Guarantee Period, (i) Contributing Lot Owners shall not be obligated to pay Individual Lot Assessments in an amount greater than the Guaranteed Assessment Amount, and (ii) Declarant shall not be obligated to pay any Assessments with respect to any Contributing Lots owned by Declarant. The Guaranteed Assessment Amount shall be applicable only to the Individual Lot Assessments paid during the Guarantee Period, during which period Contributing Lot Owners shall also be obligated to pay any Special Assessments or Individual Expense Assessments, and their respective Working Capital Contribution. Declarant hereby reserves the right to extend the Guarantee Period to a date ending no later than the Turnover Date at Declarant's sole election by providing written notice to the Association of such election at least thirty (30) days prior to the expiration of a Guarantee Period. After the Guarantee Period terminates, each Contributing Lot Owner (including if applicable, Declarant) shall be obligated to pay Assessments as set forth in Section A.3 of this Article V.

Declarant's obligation to fund the Deficit during the Guarantee Period as set forth above, together with interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Lot owned by Declarant. Said lien shall be effective only from and after the time of the recordation amongst the Public Records of the County of a written, acknowledged statement by the Association setting forth the amount due to the Association as of the date the statement is signed. Upon full payment of all sums secured by that lien, Declarant shall be entitled to a satisfaction of the statement of lien in recordable form.

G. Working Capital Contribution. Each Owner who purchases a Lot from Declarant shall pay to the Association at the time legal title is conveyed to such Owner a "Working Capital

Contribution". The Working Capital Contribution shall be an amount equal to a two months' share of the Guaranteed Assessment Amount. The purpose of the Working Capital Contribution is to insure that the Association will have cash available for initial start up expenses including, but not limited to Operating Expenses, to meet unforeseen expenditures or to acquire additional equipment and services deemed necessary or desirable by the Board. Working Capital Contributions are not advance payments of Individual Lot Assessments and shall have no effect on future Individual Lot Assessments.

H. Exempt Property. Operating Expenses shall be assessed only against Contributing Lots which are subject to Assessment under the provisions hereof, and all other portions of the Property shall be exempt therefrom including, but not limited to, the Association Property, any and all Lots or other portions of the Property which may from time to time be withdrawn from the provisions of these Protective Covenants by Declarant, any Lot which is not by definition a Contributing Lot, including all Lots owned by LLC, and during the Guarantee Period for so long as Declarant pays the Deficit as provided in Section F of this Article V, all Lots owned by Declarant.

I. Sub Association Assessments. Any Lot Owners whose Lots are subject to Sub Association Covenants shall be members of the Sub Association referred to in such Sub Association Covenants and assessed for the payment of assessments to such Sub Association. Those assessments shall be for the purpose of funding the expenses incurred by the Sub Association for maintaining the Sub Association Property within the applicable Neighborhood for the benefit of the Neighborhood residents, and for enforcing and administering the terms and provisions of the Sub Association Covenants. The assessments due to a sub Association shall be established as provided in the Sub Association Covenants. The Sub Association will also have lien rights against each Lot subject to the applicable Sub Association Covenants, which they may foreclose in the event of the non-payment of any assessment due to such Sub Association. For a complete and accurate description of the assessment obligations of the Owners as set forth in any Sub Association Covenants, Owners who are members of a Sub Association should refer to the Sub Association Covenants and the other governing documents related to the applicable Neighborhood and Sub Association.

ARTICLE VI OPERATING EXPENSES

The Assessments for Operating Expenses with respect to the Association Property are payable by each Contributing Lot Owner to the Association notwithstanding the fact that Declarant may not have yet conveyed title to the Association Property to the Association. The following operating expenses of the Association are hereby declared to be Operating Expenses which the Association is obligated to assess and collect and which the Contributing Lot Owners are obligated to pay as provided herein or as may be otherwise provided in the Association Documents:

A. Taxes. Any and all taxes levied or assessed at any and all times by any and all taxing authorities including all taxes, charges, assessments and impositions and liens for public Improvements, special charges and assessments and water drainage districts, and in general all taxes and tax liens which may be assessed against the Association Property and against any and all personal property and Improvements, which are now or which hereafter may be placed thereon, including any interest, penalties and other charges which may accrue thereon shall be considered Operating Expenses. Any and all taxes levied or assessed against the Lots shall be the obligation of the respective Owners thereof.

B. Utility Charges. All charges levied for utilities providing services for the Association Property whether supplied by a private or public firm shall be considered Operating Expenses. It is contemplated that this obligation will include all charges for water, gas, electricity, telephone, sewer and any other type of utility or any other type of service charge. All charges levied for utilities providing services to the Lots shall be the obligation of the respective Owners thereof.

C. Insurance. The premiums on any policy or policies of insurance required to be maintained under these Protective Covenants and the premiums on any policy or policies the Association determines to maintain even if not required to be maintained by the specific terms of these Protective Covenants shall be Operating Expenses.

D. Destruction of Buildings or Improvements on the Association Property. Any sums necessary to repair or replace, construct or reconstruct damages caused by the destruction of any building upon the Association Property by fire, windstorm, flood or other casualty regardless of whether or not the same is covered in whole or in part by insurance shall be Operating Expenses. In the event insurance money shall be payable, such insurance money shall be paid to the Association who shall open an account with a banking institution doing business in the County, for the purpose of providing a fund for the repair and reconstruction of the damage and the procedures for disbursement of any such insurance proceeds or funds shall be in accordance with the applicable and/or additional provisions of the Planned Community Act (if any). The Association shall pay into such account, either in addition to the insurance proceeds or in the event there are no insurance proceeds, such sums as may be necessary so that the funds on deposit will equal the costs of repair and reconstruction of the damage or destruction. The sums necessary to pay for the damage or destruction as herein contemplated shall be considered Operating Expenses but shall be raised by the Association under the provisions for Special Assessments as provided in Section C of Article V of these Protective Covenants and subject to the limitations therein set forth with respect to Special Assessments. The Association agrees that it will commence the Special Assessments process to provide the funds for the cost of reconstruction or construction within ninety (90) days from the date the destruction takes place and shall go forward with all deliberate speed so that the construction or reconstruction, repair or replacement, shall be completed within a reasonable period of time from the date of damage.

E. Maintenance, Repair and Replacements. Operating expenses shall include all expenses necessary to keep and maintain, repair and replace any and all buildings, other Improvements, personal property and furniture, fixtures and equipment upon the Association Property, including landscaping, lawn and sprinkler service, in a manner consistent with the development of Town Hall Commons and in accordance with the covenants and restrictions contained herein, and in conformity with all orders, ordinances, rulings and regulations of any and all federal, state, County and Town governments having jurisdiction over the Property as well as the statutes and laws of the State of North Carolina and the United States. This shall include any expense attributable to the maintenance and repair and replacement of pumps or other equipment, if any, located upon or servicing Town Hall Commons pursuant to agreements with utility corporations. Any expenses for replacements which would not be in the nature of normal repair and maintenance shall be the subject of a Special Assessment as provided in Section C of Article V of these Protective Covenants and subject to the limitations thereon set forth with respect to Special Assessments. In addition to the Town Hall Drive Landscaping Expenses, if the Association is permitted by the owner of property in close proximity to the Property or the governmental authority responsible for maintaining same to provide additional maintenance for such property, and the Board

elects to do so in order to enhance the overall appearance of the Property, then the expense thereof shall be an Operating Expense.

F. Town Hall Drive Landscaping Expenses. Operating expenses shall include all costs and expenses incurred by the Association for the maintenance of the landscaping improvements and street lighting within the Town Hall Drive Landscape Area. It is anticipated that Declarant will enter into an agreement with the Town and the owners or developer of the real property fronting on New Town Hall Drive, in which such parties agree to share the costs and expenses associated with maintenance of the landscaping installed within the right-of-way for New Town Hall Drive. The Association shall be obligated for all or some portion of such expenses attributable to the Town Hall Drive Landscape Area which is located within the Residential Portion of New Town Hall Drive. It is also anticipated that the Association's share of such cost shall be partially determined by the amount of linear feet contained within the Residential Portion of New Town Hall Drive in relation ship to the amount of linear feet in all of New Town Hall Drive.

G. Indemnification. The Association covenants and agrees that it will indemnify and save harmless Declarant, LLC, and the members of the Board from and against any and all claims, suits, actions, damages, and/or causes of action arising from any personal injury, loss of life, and/or damage to property sustained in or about the Property or the appurtenances thereto from and against all costs, Legal Fees, expenses and liabilities incurred in and about any such claim, the investigation thereof or the defense of any action or proceeding brought thereon, and from and against any orders, judgments and/or decrees which may be entered therein. The costs of fulfilling the covenant of indemnification herein set forth shall be deemed to be Operating Expenses.

Included in the foregoing provision of indemnification are any expenses that Declarant may be compelled to incur in bringing suit for the purpose of compelling the specific enforcement of the provisions, conditions and covenants contained in these Protective Covenants to be kept and performed by the Association. The indemnification provisions of this Section G of Article VI shall not apply to any expenses which may be incurred by Declarant to avoid the performance of any of the obligations to be kept and performed by Declarant, or any liability which may be incurred by an Owner as the Owner of a Lot.

H. Administrative and Operational Expenses. The costs of administration of the Association including, but not limited to, any secretaries, bookkeepers and other employees necessary to carry out the obligations and covenants of the Association shall be deemed to be Operating Expenses. In addition, it is contemplated that the Association may retain a management company or companies or contractors (any of which management companies or contractors may be, but are not required to be, a subsidiary, affiliate or an otherwise related entity of Declarant) to assist in the operation of the Association Property and other obligations of the Association hereunder. The fees or costs of this or any other management company or contractors so retained shall be deemed to be part of the Operating Expenses hereunder. All contracts with management companies shall contain a provision that allows the Association to unilaterally terminate the contract without cause after ninety (90) days notice.

I. Compliance with Laws. The Association shall take such action as it determines necessary or appropriate in order for the Association Property and the Improvements thereon to be in compliance with all applicable laws, statutes, ordinances and regulations of any governmental authority, whether federal, state, county or local, including, without limitation, any regulations regarding zoning

requirements, setback requirements, drainage requirements, sanitary conditions and fire hazards, and the cost and expense of such action taken by the Association shall be an Operating Expense.

J. Failure or Refusal of Lot Owners to Pay Individual Lot Assessments. Funds needed for Operating Expenses due to the failure or refusal of Contributing Lot Owners to pay the Assessments levied shall, themselves, be deemed to be Operating Expenses and properly the subject of an Assessment; provided, however, that any Assessment for any such sums so needed to make up a deficiency due to the failure of Lot Owners to pay a Special Assessment shall, itself, be deemed to be a Special Assessment.

K. Extraordinary Items. Extraordinary items of expense under these Protective Covenants such as expenses due to casualty losses and other extraordinary circumstances shall be the subject of a Special Assessment.

L. Costs of Reserves. The funds necessary to establish an adequate reserve fund ("Reserves") for periodic maintenance, repair, and replacement of the Association Property and the facilities and Improvements thereupon in amounts determined sufficient and appropriate by the Board from time to time shall be an Operating Expense. Reserves shall be deposited in a separate account to provide such funds and reserves. The monies collected by the Association on account of Reserves shall be and shall remain the exclusive property of the Association and no Lot Owner shall have any interest, claim or right to such Reserves or any fund composed of same.

M. Miscellaneous Expenses. The cost of all items or costs or expenses pertaining to or for the benefit of the Association, the Association Property or the Lots, or any part thereof, not herein specifically enumerated and which is determined to be an appropriate item of Operating Expense by the Board shall be an Operating Expense.

ARTICLE VII INSURANCE AND CONDEMNATION

The Association shall purchase and maintain the following insurance coverage subject to the following provisions, and the cost of the premiums therefor shall be a part of the Operating Expenses:

A. Casualty Insurance. Property and casualty insurance in an amount equal to the then full replacement cost, exclusive of land, foundation, excavation and other items normally excluded from such coverage, of all improvements and personal property which is owned, or to be owned, by the Association and now or hereafter located upon the Association Property, which insurance shall afford protection against such risks, if any, as shall customarily be covered with respect to areas similar to the Association Property in developments similar to Town Hall Commons in construction, location and use.

B. Public Liability Insurance. A comprehensive policy of public liability insurance naming the Association and, until Declarant's or LLC's ownership of any portion of the Property ceases (as applicable), Declarant and LLC, as named insureds thereof insuring against any and all claims or demands made by any person or persons whomsoever for injuries received in connection with, or arising from, the operation, maintenance and use of the Association Property and any improvements located thereon, and for any other risks insured against by such policies with limits of not less than One Million Dollars (\$1,000,000) for damages incurred or claimed by any one person for any one occurrence; not less than One Million Dollars (\$1,000,000) for damages incurred or claimed for any one occurrence; and for

not less than Fifty Thousand Dollars (\$50,000) property damage per occurrence with no separate limits stated for the number of claims.

C. Fidelity Coverage. Adequate fidelity coverage to protect against dishonest acts of the officers and employees of the Association and the Directors and all other who handle and are responsible for handling funds of the Association shall be maintained in the form of fidelity bonds, which requirements shall be reasonably determined by the Board.

D. Other Insurance. Such other forms of insurance and in such coverage amounts as the Association shall determine to be required or beneficial for the protection or preservation of the Association Property and any improvements now or hereafter located thereon or in the best interests of the Association.

E. Cancellation or Modification. All insurance policies purchased by the Association shall provide that they may not be canceled (including for nonpayment of premiums) or substantially modified without at least ten (10) days prior written notice to the Association and to each first mortgage holder named in the mortgage clause.

F. Condemnation. In the event the Association receives any award or payment arising from the taking of any Association Property owned in fee or any part thereof as a result of the exercise of the right of condemnation or eminent domain, the net proceeds thereof shall first be applied to the restoration of such taken areas and improvements thereon to the extent deemed advisable by the Association and the remaining balance thereof, if any, shall be placed in a reserve fund of the Budget.

G. Planned Community Act. The insurance maintained by the Association and the application, allocation or distribution of the proceeds thereof shall be subject to Section 47F-113 of the Planned Community Act and any other applicable terms and provisions of the Planned Community Act.

ARTICLE VIII EASEMENTS

A. Recognition of Existing Easements. Each Owner, by acceptance of a deed or other instrument of conveyance, recognizes and consents to the easements reserved and/or granted with respect to the Property under these Protective Covenants.

B. Grant and Reservation of Easements. Declarant hereby reserves and grants the following perpetual easements over and across the Property as covenants running with the Property for the benefit of the Owners, the Association, LLC, and Declarant as hereinafter specified for the following purposes

1. Utility and Services Easements. Easements in favor of governmental and quasi-governmental authorities, utility companies, telecommunications companies, cable television companies, ambulance or emergency vehicle companies, garbage collection, and mail carrier companies, over and across all roads existing from time to time within the Property, and over, under, on and across the Association Property, as may be reasonably required to permit the foregoing, and their agents and employees, to provide their respective authorized services to and for the Property. Also, easements as may be allowed over, under, on and across Association Property for the installation, maintenance, repair and providing of utility services, equipment and fixtures in order to adequately serve the Property and

or any neighboring or nearby property, including, but not limited to, electricity, telephones, sewer, water, lighting, irrigation, drainage, television antenna and cable television facilities, and electronic security.

However, such easements affecting title to any Lot which serve any other portion of the Property shall only be subsurface, and they shall only be for utility services actually constructed, or reconstructed, and for the maintenance thereof, unless otherwise approved in writing by the Owner of the Lot. An Owner shall do nothing on his Lot which interferes with or impairs the utility services using these easements.

The Board or its designee shall have a right of access to each Lot to inspect, maintain, repair or replace the utility service facilities contained under the Lot and to remove any improvements interfering with or impairing the utility services or easement herein reserved; provided such right of access shall not unreasonably interfere with the Owner's permitted use of the Lot.

2. Easement for Encroachment. If (i) any Improvements which are constructed as Association Property or upon Association Property, or (ii) any Improvements constructed upon a Lot, encroach upon a Lot because of the placement, construction, reconstruction, repair, movement, settling or shifting of such Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of these Protective Covenants, an easement for the encroachment and for its maintenance shall exist so long as the encroachment remains, provided, however, that in no event shall such an easement exist for willful encroachments. If any Lot Improvement encroaches upon the Association Property as a result of construction, reconstruction, repair, shifting, settlement or movement of the subject Lot Improvements, and such Improvements have been constructed, reconstructed or repaired in accordance with the provisions of these Protective Covenants, an easement for the encroachment and for its maintenance shall exist so long as the encroachment remains.

3. Easement to Enter Upon Lots. An easement or easements for ingress and egress in favor of Declarant, the Committee, the Association, including the Board or the designee of the Board, to enter upon the Lots for the purposes of inspecting any construction, proposed construction of Improvements, or fulfilling its duties and responsibilities of ownership, maintenance and/or repair in accordance with the Association Documents, including the making of such repairs, maintenance or reconstruction as are necessary for the Association Property.

4. Easement Over Association Property. An easement of use and enjoyment in favor of all Owners, their family members, guests, invitees and lessees in and to the Association Property which shall be appurtenant to and shall pass with title to every Lot, subject to the following:

i. the right of the Association to suspend the voting rights and rights to use the Association Property of any Owner for any period during which Assessments against his Lot(s) remain unpaid;

ii. the right of the Association to grant permits, licenses and easements over the Association Property for utilities and other purposes reasonably necessary or useful for the proper maintenance or operating of the Property; and

iii. all provisions set forth in the Association Documents.

5. Drainage and Irrigation Easement; Storm Water Control Maintenance Easement. An easement for drainage, flowage and irrigation over, under and upon the Property in favor of the Association and each of the Owners including, but not limited to, reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate, replace, and repair the Storm Water Management System and to maintain and correct drainage or surface water runoff in order

to maintain reasonable standards of health, safety and appearance. Such rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil or take any other similar action that Declarant or the Association deem reasonably necessary or appropriate. After such action has been completed, Declarant or the Association shall grade and seed the affected property and otherwise restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. Declarant or the Association shall give reasonable notice of its intent to take such action to all affected Owners.

6. Additional Easements. Declarant (until the Turnover Date) and the Association, on their behalf and on behalf of all Owners, each shall have the right to (i) grant and declare additional easements over, upon, under and/or across the Association Property in favor of Declarant, LLC, or any person, entity, public or quasi-public authority or utility company, or (ii) with the consent of the applicable party affected by any easement benefiting the Property or the party who acquired or is benefited by any easement affecting the Property (as applicable), modify, relocate, abandon or terminate existing easements benefiting or affecting the Property. In connection with the grant, modification, relocation, abandonment or termination of any easement, Declarant reserves the right to relocate roads, parking areas, utility lines, and other improvements upon or serving the Property. So long as the foregoing will not unreasonably and adversely interfere with the use of Lots for dwelling purposes, no consent of any Owner or any mortgagee of any Lot shall be required or, if same would unreasonably and adversely interfere with the use of any Lot for dwelling purposes, only the consent of the Owners and Institutional Mortgagees so affected shall be required. To the extent required, all Owners hereby irrevocably appoint Declarant and/or the Association as their attorney-in-fact for the foregoing purposes.

7. Sale and Development Easement. Declarant reserves and shall have an easement over, upon, across and under the Property as may be reasonably required in connection with the development, construction, sale and promotion, or leasing, of any Lot or Home within the Property or within any other property owned by Declarant provided that no such easement shall be located within or upon any Home and shall not materially adversely impair or diminish any Owner's use or enjoyment of such Owner's Lot or Home.

8. Landscape Area, Entryway Area, and Signage Area Easement. An easement for the installation, maintenance, repair, and replacement of any entry monument, sign, landscaping, or other facilities located in the Landscape Areas, Entryway Areas, and Signage Areas is reserved in favor of Declarant and the Association over, upon, across and under the Landscape Areas, Entryway Areas, and Signage Areas.

9. Maintenance Easements. If any Home is located closer than five (5) feet from its Lot line, the Owner of said Lot shall have a perpetual access easement over the adjoining Lot to repair, maintain, perform, paint or reconstruct his Home. Within said easement area no fence or vegetation shall be located.

10. "Reserved" Retention Pond Easement. Declarant reserves and shall have an easement over, upon, across and under any portions of the Property shown on a Final Plat as a "Reserved" or a "Future" Retention Pond for the purpose of making the necessary Improvements to such area in order for such area to function as a Retention Pond for storm water control. The "Future Retention Ponds" shall be subject to restriction as provided in Section O of Article XI.

11. Easements in favor of the LLC Property. Declarant hereby grants and reserves non-exclusive easements over and upon the Association Property and any Tracts within the Property, in favor

of LLC, or the developer(s) of the LLC Property as are reasonably required for the installation of utilities to service the LLC Property and the development of the LLC Property.

12. Blanket Easement. An easement is hereby reserved in favor Declarant and the Association over the Lots and Association Property for the installation and maintenance of landscaping, a common cable television system, a common sprinkler system, entrance sign or features, or any other item for the common enjoyment and benefit of the Owners. No Owner shall damage, destroy, alter or otherwise disrupt any of such items so installed. Each Owner shall hold the Association and/or Declarant harmless from the cost of repairing or replacing any of such items which are damaged or destroyed the acts of such Owner, his family, his guests or invitees.

C. Assignments. The easements reserved hereunder may be assigned by Declarant or the Association in whole or in part to any Town, County or state government or agency thereof, or any duly licensed or franchised public utility, or any other designee of Declarant. The Owners hereby authorize Declarant and/or the Association to execute, on their behalf and without further authorization, such grants of easement or other instruments as may from time to time be necessary to grant easements over and upon the Property or portions thereof in accordance with the provisions of these Protective Covenants.

Notwithstanding anything in these Protective Covenants to the contrary, all easement rights reserved or granted to Declarant or LLC shall terminate upon Declarant or LLC no longer owning any interest in the Property. In addition, the easement rights granted or reserved by Declarant hereunder are not to be construed as creating an affirmative obligation to act on the part of Declarant.

ARTICLE IX MAINTENANCE AND REPAIR

A. By the Association. Except as otherwise specifically set forth herein, the responsibility of the Association is to repair, maintain and replace any and all Improvements located on the Association Property *commencing with the completion of same by Declarant and conveyance to the Association*. The Improvements shall be maintained in the same condition as originally constructed by Declarant. In the event of any damage or destruction to the Association Property or to the improvements and facilities located thereon by fire, storms, acts of God, acts of government, acts of third parties or other calamity, the Association shall be required to rebuild such Improvements and facilities as quickly as practicable.

B. By the Lot Owners

1. Except for any items to be maintained by a Sub-Association pursuant to any applicable Sub-Association Covenants, each Owner shall maintain his Home and all Improvements and personal property upon his Lot in good condition at all times. The exterior of all Homes including but not limited to roofs, walls, doors, windows, patio areas, pools, screenings, and awnings shall be maintained in good condition and repair and in a neat and attractive manner. All exterior painted areas shall be painted as reasonably necessary, with colors which are harmonious with other Homes, and no excessive rust deposits on the exterior of any Home, peeling of paint or discoloration of same shall be permitted. No Owner shall change the exterior color of his Home without the consent of the Committee. All sidewalks, driveways and parking areas within the Owner's Lot or serving the Owner's Home shall be cleaned and kept free of debris; and cracks, damaged and/or eroding areas on same shall be repaired, replaced and/or resurfaced as necessary.

ARTICLE X
ARCHITECTURAL CONTROL

A. Establishment. "Committee" shall mean the architectural control committee, which shall be the governing body charged with using its best efforts to promote and ensure a high level of design, quality, harmony and conformity throughout the Property consistent with these Protective Covenants. Until the Termination of Declarant Control, referred to below, Declarant shall constitute the Committee, and may approve Plans and Submissions or take other actions on behalf of the Committee in Declarant's own name or in the name of the Committee. After the Termination of Declarant Control, the Committee shall be composed of at least three (3) individuals appointed by the Board, each of which shall be an Owner. The Committee shall act by simple majority vote. In the event of death, resignation or other removal of any Board appointed member of the Committee, the Board shall appoint a successor member. No member of the Committee shall be entitled to compensation for, or be liable for claims, causes of action or damages arising out of services performed pursuant to these Protective Covenants. Declarant shall cease to control and constitute the Committee on the earlier of: (a) the date on which Declarant records in the Public Records a document declaring the termination of its control of the Committee, or (b) at such time as Declarant no longer owns a Lot within the Property, or (c) the date which is seven (7) years following the date this Declaration is first recorded in the public land records (which may be referred to in this Declaration as "Termination of Declarant Control").

B. Purpose. The Committee is established to provide a system of review for the construction or modification of all Improvements within the Property. No Improvement shall be commenced, improved or altered, nor shall any grading, excavation or change of exterior color or other work which in any way alters the exterior appearance of an Improvement be done without the prior written approval of the Committee.

C. Development Standards. The Committee is empowered to publish or modify from time to time, design and development standards for the Property, including, but not limited to, standards for the following ("Standards"): (i) architectural design of Improvements, including, but not limited to, design standards for any Home or other Improvement constructed upon a Lot; (ii) fences, walls and similar structures; (iii) exterior building materials and colors; (iv) exterior appurtenances relating to utility installation; (v) signs and graphics, mailboxes and exterior lighting; (vi) building setbacks, pools and pool decks, side yards and related height bulk and design criteria; (vii) pedestrian and bicycle ways, sidewalks and pathways; and (viii) all buildings, landscaping and Improvements on lands owned or controlled by the Association. After the Termination of Architectural Control, a copy of any Standards promulgated by the Joint Committees shall be subject to approval by the Board. After the Board's approval, a copy of the Standards will be made available to all Members.

D. Requirement of Committee Approval. Subject to the exception for Declarant Improvements and LLC Improvements, no Improvement of any kind shall be erected, placed or maintained on the Lots, and no addition, alteration, modification or change to any Improvement shall be made on the Lots, without the prior written approval of the Committee. For purposes of these Protective Covenants, Declarant Improvements means any Improvement erected, placed, or maintained by Declarant or with the approval of Declarant, including, without limitation, any building, wall, fence, swimming pool, or screened enclosure, constructed, installed or placed by or with the approval of Declarant, and additions, alterations, modifications or changes to any of the foregoing (collectively, "Declarant Improvements"). "LLC Improvements" means any Improvement constructed, installed,

erected, placed, or maintained by LLC, or any additions, alterations, modifications or changes to any Improvements constructed, installed, erected, placed or maintained by LLC. Notwithstanding anything to the contrary contained above, Declarant Improvements and LLC Improvements are not subject to the approval of the Committee and are deemed to conform to the plan of development for the Property.

E. Obtaining Committee Approval. In order to obtain the approval of the Committee, a complete set of plans and specifications ("Plans") for proposed Improvements shall be submitted to the Committee for its review. The Plans shall include, as appropriate, the proposed location, grade, elevations, shape, dimensions, exterior color plans, approximate costs, and nature, type and color of materials to be used. The Committee may also require the submission of additional information and materials as may be reasonably necessary for the Committee to evaluate the proposed Improvement or alteration ("Submissions"). The Committee shall have the right to refuse to approve any proposed Plans which, in its sole discretion, are not suitable or desirable. Any and all approvals or disapprovals of the Committee shall be in writing and shall be sent to each respective Owner submitting same. In the event the Committee fails to approve or to disapprove in writing any Plans and/or Submissions after: (i) submission to the Committee of the last item of the Plans and Submissions requested by the Committee, so that the Committee has a complete package of all Plans and Submissions requested by the Committee; and (ii) thirty (30) days have elapsed since submission and written request for approval or disapproval was delivered to the Committee by the Owner; then said Plans and Submissions shall be deemed to have been approved by the Committee provided, however, that no Improvement shall be erected or shall be allowed to remain which violates any conditions or restrictions contained in this Declaration, or which violates any applicable zoning or building ordinance or regulation. The approval by the Committee relates only to the aesthetics of the Improvements shown on the Plans and Submissions and not to their sufficiency or adequacy. Each Owner shall be responsible for obtaining all necessary technical data and to make application to and obtain the approval of the appropriate governmental agencies prior to commencement of any construction.

F. Scope of Review. The Committee shall review and approve or disapprove all Plans and Submissions solely on the basis of aesthetic standards as to the aesthetic quality of materials and workmanship to be used, suitability and harmony of location, structure and external design in relation to surrounding topography and structures and the overall benefit or detriment which would result to the immediate vicinity and to the Property as a whole and any other factors deemed relevant to the review by the Committee in its opinion, reasonably exercised. The Committee shall take into consideration the aesthetic aspects of the architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features, and shall not be responsible for reviewing, nor shall its approval of any Plans be deemed approval of, any design or plan from the standpoint of structural safety or conformance with building or other codes.

G. Variance from Standards. The Committee may authorize, in a reasonable manner so as not to destroy the general scheme or plans of the development of the Property, variances from compliance with any Standards which it has promulgated pursuant to its authority when circumstances such as topography, natural obstructions, hardship, aesthetics or environmental considerations may require. If any such variances are granted, no violation of the restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration

alterations, modifications or changes to any Improvements constructed, installed, erected, placed or maintained by LLC. Notwithstanding anything to the contrary contained above, Declarant Improvements and LLC Improvements are not subject to the approval of the Committee and are deemed to conform to the plan of development for the Property.

E. Obtaining Committee Approval. In order to obtain the approval of the Committee, a complete set of plans and specifications ("Plans") for proposed Improvements shall be submitted to the Committee for its review. The Plans shall include, as appropriate, the proposed location, grade, elevations, shape, dimensions, exterior color plans, approximate costs, and nature, type and color of materials to be used. The Committee may also require the submission of additional information and materials as may be reasonably necessary for the Committee to evaluate the proposed Improvement or alteration ("Submissions"). The Committee shall have the right to refuse to approve any proposed Plans which, in its sole discretion, are not suitable or desirable. Any and all approvals or disapprovals of the Committee shall be in writing and shall be sent to each respective Owner submitting same. In the event the Committee fails to approve or to disapprove in writing any Plans and/or Submissions after: (i) submission to the Committee of the last item of the Plans and Submissions requested by the Committee, so that the Committee has a complete package of all Plans and Submissions requested by the Committee; and (ii) thirty (30) days have elapsed since submission and written request for approval or disapproval was delivered to the Committee by the Owner; then said Plans and Submissions shall be deemed to have been approved by the Committee provided, however, that no Improvement shall be erected or shall be allowed to remain which violates any conditions or restrictions contained in this Declaration, or which violates any applicable zoning or building ordinance or regulation. The approval by the Committee relates only to the aesthetics of the Improvements shown on the Plans and Submissions and not to their sufficiency or adequacy. Each Owner shall be responsible for obtaining all necessary technical data and to make application to and obtain the approval of the appropriate governmental agencies prior to commencement of any construction.

F. Scope of Review. The Committee shall review and approve or disapprove all Plans and Submissions solely on the basis of aesthetic standards as to the aesthetic quality of materials and workmanship to be used, suitability and harmony of location, structure and external design in relation to surrounding topography and structures and the overall benefit or detriment which would result to the immediate vicinity and to the Property as a whole and any other factors deemed relevant to the review by the Committee in its opinion, reasonably exercised. The Committee shall take into consideration the aesthetic aspects of the architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features, and shall not be responsible for reviewing, nor shall its approval of any Plans be deemed approval of, any design or plan from the standpoint of structural safety or conformance with building or other codes.

G. Variance from Standards. The Committee may authorize, in a reasonable manner so as not to destroy the general scheme or plans of the development of the Property, variances from compliance with any Standards which it has promulgated pursuant to its authority when circumstances such as topography, natural obstructions, hardship, aesthetics or environmental considerations may require. If any such variances are granted, no violation of the restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration

for any purpose, except as to that particular property and particular provision hereof or Standards promulgated hereby which are covered by the variance. Such variance shall be evidenced in writing.

H. Enforcement. There is specifically reserved unto the Committee the right of entry and inspection upon any Lot or other portion of the Property for the purpose of determination by the Committee whether there exists any Improvement which violates the terms of any approval by the Committee or the terms of this Declaration. Except in emergencies, any exercise of the right of entry and inspection by the Committee hereunder should be made only upon reasonable notice given to the Owner of record at least twenty-four (24) hours in advance of such entry. The Association, acting pursuant to the direction of the Committee, is specifically empowered to enforce the provisions of this Declaration by any legal or equitable remedy, and in the event it becomes necessary to resort to litigation to determine the propriety of any Improvement, or to remove any unapproved Improvements, the prevailing party in such litigation shall be entitled to recover all Legal Fees incurred in connection therewith. The Association shall indemnify and hold harmless any member of the Committee from all costs, expenses and liabilities, including attorneys fees incurred by virtue of any member's service as a member of the Committee, provided such member acted in good faith and without malice.

I. Subcommittees and Delegation of Authority. The Committee may establish subcommittees for the purpose of acting on behalf of the Committee with respect to similar circumstances, situations, or types of Improvements, such as a swimming pool subcommittee or a subcommittee which would deal with modifications of existing Improvements or additional new Improvements ancillary to an existing Home, in contrast to the construction of initial Improvements upon a previously unimproved Lot. All rights and powers of the Committee may be delegated to such subcommittee with regard to the subject matter of the subcommittee. The rights and powers of the Committee may be assigned to a management company, an architect, design professional or other entity, or any portion of such rights and powers applicable to a particular subcommittee or area of similar circumstance.

J. Sub Association Architectural Review and Approval. The Sub Association Covenants for a Neighborhood may also require that all Lot Owners in such Neighborhood obtain the approval of an architectural control committee or other similar entity. The procedures and requirements for obtaining the approval of proposed Improvements by any committee or entity empowered by any Sub Association Covenants shall be set forth in the Sub Association Covenants and are separate from and in addition to, the procedures and requirements set forth in this Article X. No Improvement shall be permitted on the Lots which violates any of the requirements of any Sub Association Covenants. Notwithstanding the requirement for the Committee's approval of all proposed Improvements pursuant to this Article X, the Committee shall have no obligation to verify whether or not the Plans and Submissions for such Improvements comply with any Sub Association Covenants or any other requirements of any applicable governmental authority or agency with respect to the proposed Improvements. The Committee's approval of Plans and Submissions for any proposed Improvements shall not be construed or interpreted as an indication of the acceptability to a Sub Association or other entity established pursuant to any Sub Association Covenants of the proposed Improvements or the compliance thereof with the Sub Association Covenants and other Sub Association governing documents.

ARTICLE XI
USE RESTRICTIONS

For purposes of this Article XI, unless the context otherwise requires, Owner shall also include the family, invitees, guests, licensees, lessees and sublessees of any Owner, and any other permitted occupants of a Home. All the Property shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant and LLC in Section U of this Article XI and if applicable, subject to any additional restrictions and requirements set forth in any Sub-Association or Neighborhood Covenants.

A. Residential Use. The Homes shall be for single family residential use only. No commercial occupation or activity may be carried on in Town Hall Commons without the consent of the Board except as such occupation or activity is permitted to be carried on by Declarant under these Protective Covenants. In addition, temporary guests are permitted so long as they do not create an unreasonable source of noise or annoyance to the other residents of the Property. No more than one Home not to exceed two and one half (2½) stories in height, may be built on one Lot.

B. Minimum Square Footage. Any requirements related to the amount of square footage contained within a Home shall be set forth in the Sub-Association Covenants or the Neighborhood Covenants, whichever is applicable.

C. Nuisances. No obnoxious or offensive activity shall be carried on about the Lots or in or about any improvements, Homes, or on any portion of Town Hall Commons nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any Owner. No use or practice shall be allowed in or around the Homes which is a source of annoyance to Owners or occupants of Homes or which interferes with the peaceful possession or proper use of the Homes or the surrounding areas. No trade, business, profession or commercial activity, or any other non residential use shall be conducted on the Property or within any Lot or Home without the consent of the Board. The foregoing shall not prohibit an Owner from leasing his Home. No loud noises or noxious odors shall be permitted in any improvements, Homes or Lots. Without limiting the generality of any of the foregoing provisions, no horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment of large power tools, unlicensed off-road motor vehicles or any items which may unreasonably interfere with television or radio reception of any Owner shall be located, used or placed on any Lot, or exposed to the view of other Owners without the prior written approval of the Board and/or the Committee, if required.

D. Outside Storage of Personal Property. The personal property of any Owner shall be kept inside the Owner's Home or a fenced-in yard (except where fences are prohibited by these Protective Covenants or any Sub-Association Covenants), except for patio furniture and accessories, and other personal property commonly kept outside, which must be kept in the rear of the Lot and must be neat appearing and in good conditions.

E. Parking and Vehicular Restrictions. Except for any parking areas located on any Sub-Association Property, vehicles may be parked or stored only on portions of a Lot improved for that purpose, i.e., garage, driveway, carport or parking pad. Parking areas within any Sub-Association Property shall be restricted and used as provided in the applicable Sub-Association Covenants, and in any event shall not be used by any Owners who live outside the Neighborhood in which the parking spaces

are located. No unenclosed parking shall be constructed or maintained on any Lot except a paved driveway and an attached paved parking pad. Any driveway or parking pad constructed upon any Lot shall have either an asphaltic concrete surface, a cement concrete surface, or brick pavers.

No mobile house trailer (whether on or off wheels), vehicle or enclosed body of the type which may be placed on or attached to a vehicle (known generally as "campers"), or commercial vehicle of any kind shall be parked on the streets within the Project, nor shall any such vehicle be parked or kept on any Lot. Furthermore, no boat or boat trailer shall be parked on the street within the Project. A boat and/or boat trailer may be parked or kept on a Lot if it is parked or kept in such a manner that the vehicle is screened from the street. Screening may be either by fence or plantings, but, in any case, the screening must comply with the applicable zoning ordinances and other requirements of the Town and be approved by the Committee pursuant to Article X of these Protective Covenants. No tractor trailer trucks or cabs shall be parked on any street or Lot within the Project.

No vehicle of any type which is abandoned or inoperative shall be stored or kept on any Lot in such manner as to be seen from any other Lot, any street within the Project or any Association Property and no automobiles or mechanical equipment may be dismantled or allowed to accumulate on any Lot.

F. No Improper Uses. No improper, offensive, hazardous or unlawful use shall be made of any Home nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to any person using any portion of the Property. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction over the Property shall be observed. Violations of laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction over the Property, relating to any Home shall be corrected by, and at the sole expense of the Owner of the Home.

G. Trash and Other Materials. Each Owner shall regularly pick up all garbage, trash, refuse or rubbish on his Lot, and no Owner or resident shall place or dump any garbage, trash, refuse, rubbish or other materials on any other portions of the Property. Garbage, trash, refuse or rubbish that is required to be placed at the front of the Lot in order to be collected may be placed and kept at the front of the Lot after 5:00 p.m. on the day before the scheduled day of collection, and any trash facilities must be removed on the collection day. All garbage, trash, refuse or rubbish must be placed in appropriate trash facilities or bags. All containers, dumpsters or garbage facilities shall be stored inside a Home or fenced-in area (if permitted) and screened from view and kept in a clean and sanitary condition. No noxious or offensive odors shall be permitted.

H. Leases. No portion of a Home (other than an entire Home) may be rented. All leases must be in writing and shall provide that the Association shall have the right to terminate the lease upon default by the tenant in observing any of the provisions of these Protective Covenants, the Articles, Bylaws, of applicable rules and regulations, or of any other agreement, document or instrument governing the Lots or Homes. A copy of the proposed lease must be delivered to the Association prior to occupancy by the tenant. No lease shall be for a period of less than six (6) months without the approval of the Board. The Owner of a leased Home shall be jointly and severally liable with his tenant to the Association to pay any claim for injury or damage to property caused by the negligence of the tenant. Every lease shall be subordinated to any lien filed by the Association whether before or after such lease was entered into.

With respect to any tenant or any person present in any Home or any portion of the Property other than an Owner and the members of his immediate family permanently residing with him in the Home, if such person shall materially violate any provision of these Protective Covenants, the Articles, or the Bylaws, or shall create a nuisance or an unreasonable and continuous source of annoyance to the residents of the Property, or shall willfully damage or destroy any Association Property or personal property of the Association, then upon written notice by the Association such person shall be required to immediately leave the Property and if such person does not do so, the Association is authorized to commence an action to evict such tenant or compel the person to leave the Property and, where necessary, to enjoin such person from returning. The expense of any such action, including Legal Fees, may be assessed against the applicable Owner as an Individual Expense Assessment, and the Association may collect such Assessment and have a lien for same as elsewhere provided. The foregoing shall be in addition to any other remedy of the Association. The Association shall provide notice to the Owner of a leased Home concurrently with any notices sent to the tenant of such Home pursuant to this Section H of Article XI, and such Owner shall have the right to participate in any hearings or eviction proceedings involving the tenant of such Owner's Home. The right of eviction provided for in this section shall be inserted in every lease, but the omissions from the lease agreement of such right shall not affect the right to evict as set forth herein.

I. Temporary Buildings. No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed upon the Property except in connection with construction, development, leasing or sales activities permitted by the Committee or performed by Declarant and LLC. No temporary structure may be used as a Home.

J. Animals and Pets. Only common domesticated household pets may be kept on any Lot or in a Home, but in no event for the purpose of breeding or for any commercial purposes whatsoever. No other animals, livestock, reptiles or poultry of any kind shall be kept, raised, bred or maintained on any portion of the Property. Permitted pets shall only be kept subject to and in accordance with such rules and regulations as shall be promulgated from time to time by the Board. Under no circumstances may a pit bull be permitted on the Property. Any pet must not be an unreasonable nuisance or annoyance to other residents on the Property. The Board may adopt rules and regulations concerning animals which are more restrictive than the provisions of these Protective Covenants including rules requiring that all animals be kept on a leash when on the Association Property or outside a fenced yard and that animals be restricted to designated areas within the Association Property and that Owners are responsible for cleaning up any mess that a pet created within any Lot or the Association Property. The Board may require any pet to be immediately and permanently removed from the Property due to a violation of this Section.

Each Owner who determines to keep a pet thereby agrees to indemnify the Association and Declarant and hold them harmless against any loss or liability of any kind or character whatsoever arising from or growing out of his having any animal on the Property.

K. Additions and Alterations. No Home shall be enlarged by any addition thereto or to any part thereof, and no Owner shall make any improvement, addition, or alteration to the exterior of his Home, including, without limitation, the painting, staining, or varnishing of the exterior of the Home or re-roofing with shingles of a different color or material, without the prior written approval of the Committee, which approval may be withheld for purely aesthetic reasons.

L. Increase in Insurance Rates. No Owner may engage in any action that may reasonably be expected to result in an increase in the rate of any insurance policy or policies covering or with respect to any portion of the Property not owned by such Owner.

M. Outside Antennas, Satellite Dishes and Flag Poles. No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar apparatus or equipment unless: (i) such apparatus is two (2) feet or less in diameter, (ii) the apparatus is screened from public view and located behind the Home either in the rear yard or affixed to the rear roof, (iii) the apparatus is not visible while standing at any point along the property boundary line in front of the house that abuts or is adjacent to a street, right-of-way or sidewalk, and (iv) the Committee has approved the apparatus, its location and the type of screening.

N. Surface Water Management. No Owner or any other person shall do anything to adversely affect the surface water management and drainage of the Property, without the prior written approval of the Committee and any controlling governmental authority, including, but not limited to, the excavation or filling in of any Lot, provided the foregoing shall not be deemed to prohibit or restrict the initial construction of Improvements upon the Property by Declarant in accordance with permits issued by controlling governmental authorities. In particular, no Owner shall install any landscaping or place any fill on the Owner's Lot which would adversely affect the drainage of any contiguous Home. No structures, trees or shrubs shall be placed on any drainage or utility easements or any other portion of the Storm Water Management System (including the drainage easements located on the Lots), except by Declarant, without the prior written consent of the Committee and the applicable governmental authorities and utility providers.

No Owner shall remove native vegetation that become established within any wetland areas, wetland buffer areas, or riparian buffer areas located on or adjacent to any portion of the Property. Removal includes dredging, the application of herbicide, and cutting. No Owner shall add or introduce additional vegetation or other forms of plantlife or landscaping within any wetland areas, wetland buffer areas, or riparian buffer areas located on or adjacent to any portion of the Property. Owners should address any question regarding authorized activities within any wetland areas, wetland buffer areas, or riparian buffer areas to the applicable governmental authorities. No Owner may construct or maintain any building, residence, or structure, or undertake or perform any activity in any wetland areas, buffer areas and any upland conservation areas without the prior approval of the Association and the applicable governmental authorities and utility providers.

O. Retention Ponds. The Retention Ponds shall always be kept and maintained only as an area for water retention, drainage and water management purposes as part of the Storm Water Management System in compliance with applicable governmental and water management district requirements. The Owners and the Sub-Associations are prohibited from using the Retention Ponds for recreational purposes, including swimming, boating, fishing or any other similar activity. Lot Owners are prohibited from using the Retention Ponds for irrigation purposes. Any portion of the Property designated on a Final Plat as a "Future" or "Reserved" Retention Pond or otherwise indicated for possible future use as a Retention Pond shall be kept in a natural and unimproved state and reserved for storm water management purposes. Declarant's conveyance of any such area to the Association (or if applicable, to a Sub-Association), shall be subject to the right of Declarant to excavate such area and create a Retention Pond in accordance with the requirements of the Town and other applicable governmental authorities.

P. Building Setbacks; Building Location. No Home shall be erected or maintained on any Lot outside of the building envelope shown on the applicable Final Plat or as otherwise required or permitted by the zoning ordinances of the Town. For purposes of these building setback requirements, decks, porches, patios, stoops, eaves, overhangs, bay windows, chimneys, carports and other similar projections shall be deemed to be part of the Home only to the extent that the same are deemed to be part of a dwelling unit under the zoning ordinances of the Town in effect as of the date of issuance of a certificate of occupancy for such Home. Any Home erected on a Lot other than a corner Lot shall face the street on which the Lot abuts. On corner Lots, a Home may be erected so as to face the intersection of the 2 streets on which the Lot abuts. Lots located in a Neighborhood may be subject to more or additional requirements and restrictions for building setbacks pursuant to the applicable Sub-Association Covenants (if any).

Q. Damage and Destruction. In the event any Improvement contiguous with a Home is damaged or destroyed by casualty or for any other reason, the Owner of the Home shall repair and restore the damaged Improvement as soon as is reasonably practical to the same condition that the Improvement was in prior to such damage or destruction, unless otherwise approved by the Committee.

R. Subdivision and Partition. No Lot on the Property shall be subdivided without the Committee's prior written consent except by Declarant.

S. Construction. All construction, landscaping or other work which has been commenced on any Lot shall be continued with reasonable diligence to completion and no partially completed Home or other Improvement shall be permitted to exist on any Lot, except during such reasonable time period as is necessary for completion. The Owner of each Lot shall at all times keep contiguous public streets free from any dirt, mud, garbage, trash or other debris resulting from any such construction on the subject Owner's Lot.

T. Additional Restrictions in Sub-Association Covenants and Neighborhood Covenants. Lots subject to Neighborhood Covenants or Sub-Association Covenants may be subject to additional restrictions or more stringent restrictions as set forth in the applicable instrument. The Sub-Association Covenants and the Neighborhood Covenants shall contain restrictions and covenants that are designed specifically for the Lots and the Homes in a particular Neighborhood, and may be more but not less, restrictive than the restrictions in these Protective Covenants.

U. Certain Rights of Declarant. The provisions, restrictions, terms and conditions of this Article XI shall not apply to Declarant or LLC as Owners.

ARTICLE XII AMENDMENT AND MODIFICATION

The process of amending or modifying these Protective Covenants shall be as follows:

A. Prior to Turnover Date. Until the Turnover Date and except as specifically provided otherwise in this Section A of Article XII, Declarant may amend this Declaration without the approval of any Member provided the amendment does not materially alter or change any Owner's right to the use and enjoyment of such Owner's Lot or of the Association Property as set forth in these Protective Covenants, and the amendment does not adversely affect the title to any Lot. During any such period

prior to the Turnover Date, these Protective Covenants may not be amended without the written joinder of Declarant. Any other amendments of these Protective Covenants prior to the Turnover Date, shall require the vote or written consent of sixty-seven percent (67%) of the votes held by each class of Members of the Association as such classes are set forth in the Association Documents; provided, however, that the percentage of the votes attributable to each class of Members of the Association necessary to amend a specific provision of these Protective Covenants shall not be less than (i) the prescribed percentage (if any) of affirmative votes required for action to be taken under that provision, and (ii) any higher percentage of Members or of affirmative votes attributable to the Members (or each class of Members) specified by the Planned Community Act (if applicable).

B. After the Turnover Date. After the Turnover Date, and except for the annexation of additional property which shall be accomplished pursuant to the provisions of Section B of Article II, these Protective Covenants may be amended by: (i) the consent of the Owners owning sixty-seven percent (67%) of all Lots; together with (ii) the approval or ratification of a majority of the Board, provided that the percentage of votes attributable to the Owners shall not be less than the prescribed percentage (if any) of affirmative votes attributable to the Owners as specified by the Planned Community Act. The aforementioned consent of the Owners owning sixty-seven percent (67%) (or such higher percentage, if applicable) of the Lots may be evidenced by a writing signed by the required number of Owners or by the affirmative vote of the required number of Owners at any regular or special meeting of the Association called and held in accordance with the Bylaws evidenced by a certificate of the Secretary or an Assistant Secretary of the Association.

C. Scrivener's Errors. Amendments for correction of scrivener's errors or other nonmaterial changes may be made by Declarant alone until the Turnover Date and by the Board thereafter and without the need of consent of the Owners.

D. Amendments to Declarant's Rights. Notwithstanding anything to the contrary herein contained, no amendment to these Protective Covenants shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, notwithstanding anything to the contrary herein contained, no amendment to these Protective Covenants shall be effective which would prejudice the rights of a then Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Owner or Owners so affected consent to such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to these Protective Covenants after the Turnover Date. Additionally, notwithstanding anything to the contrary contained herein, no amendment to these Protective Covenants shall be effective which shall eliminate or modify the provisions of Section G of Article XIII and any such amendment shall be deemed to impair and prejudice the rights of Declarant hereunder.

E. FHA/VA Approval Prior to Turnover Date. Notwithstanding anything contained herein to the contrary, as long as the "Class B" membership exists, if the Property is subject to the requirements of the Veteran's Administration ("VA"), The Federal Housing Administration ("FHA"), the Federal Home Loan Mortgage Corporation or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, amendment of these Protective Covenants requires the prior approval of HUD/VA, except for those amendments permitted in accordance with Sections A and C of this article XII.

F. Certification and Recording of Amendments. A true copy of any amendment to these Protective Covenants shall be sent certified mail by the Association to Declarant and to all Institutional Mortgagees holding a mortgage on any portion of the Property requesting notice. The amendment shall become effective upon the recording of a Certificate of Amendment to these Protective Covenants setting forth the amendment or modification amongst the Public Records of the County.

G. Amendments to Satisfy Lending Requirements. Notwithstanding anything contained herein to the contrary, Declarant may, without the consent of any Owners, file any amendments which may be required by an Institutional Mortgagee for the purpose of satisfying its planned unit development criteria or such other criteria as may be established by such mortgagee's secondary mortgage market purchasers, including, without limitation, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; provided, however, any of Declarant's filed amendments must be in accordance with any applicable rules, regulations and other requirements promulgated by the United States Department of Housing and Urban Development.

ARTICLE XIII GENERAL PROVISIONS

A. Conflict with Other Association Documents. In the event of any conflict between the provisions hereof and the provisions of the Articles, Bylaws, any Sub-Association Covenants, and/or rules and regulations promulgated by the Association, the provisions of these Protective Covenants shall control.

B. Notices. Any notice or other communication required or permitted to be given or delivered hereunder shall be deemed properly given and delivered upon the mailing thereof by United States mail, first class, postage prepaid, to: (i) any Owner, at the address of the person whose name appears as the Owner on the records of the Association at the time of such mailing and, in the absence of any specific address, at the address of the Home owned by such Owner; and (ii) the Association, certified mail, return receipt requested, at 3739 National Drive, Suite 101, Raleigh, North Carolina 27612, or such other address as the Association shall hereinafter notify Declarant and the Owners of in writing; and (iii) Declarant, certified mail, return receipt requested, at 3739 National Drive, Suite 101, Raleigh, North Carolina 27612, or such other address or addresses as Declarant shall hereafter notify the Association of in writing, any such notice to the Association of a change in Declarant's address being deemed notice to the Owners. Upon request of an Owner, the Association shall furnish to such Owner the then current address for Declarant as reflected by the Association records.

C. Enforcement. The covenants and restrictions herein contained may be enforced by Declarant (so long as Declarant holds an equitable or legal interest in any Lot and/or Home), the Association, any Owner and any Institutional Mortgagee holding a mortgage on any portion of the Property in any judicial proceeding seeking any remedy recognizable at law or in equity, including damages, injunction or any other form of relief against any person, firm or entity violating or attempting to violate any covenant, restriction or provision hereunder. The failure by any party to enforce any such covenant, restriction or provision herein contained shall in no event be deemed a waiver of such covenant, restriction or provision or of the right of such party to thereafter enforce such covenant, restriction or provision. The prevailing party in any such litigation shall be entitled to all costs thereof including, but not limited to, Legal Fees. All rights, remedies and privileges granted to the parties entitled to enforce the covenants, restrictions and provisions of these Protective Covenants pursuant to

any terms, provisions, covenants or conditions of these Protective Covenants, the Articles or the Bylaws, shall be deemed to be cumulative, and the exercise of any one or more shall neither be deemed to constitute an election of remedies, nor shall it preclude a party entitled to enforce the covenants, restrictions and provisions of these Protective Covenants from executing any additional remedies, rights or privileges as may be granted or as it might have by law.

D. Captions, Headings and Titles. Article and Section captions, headings and titles inserted throughout these Protective Covenants intended as a matter of convenience only and in no way shall such captions, headings or titles define, limit or in any way affect the subject matter or any of the terms and provisions thereunder or the terms and provisions of these Protective Covenants.

E. Context. Whenever the context so requires or admits, any pronoun used herein may be deemed to mean the corresponding masculine, feminine or neuter form thereof, and the singular form of any nouns and pronouns herein may be deemed to mean the corresponding plural form thereof and vice versa.

F. Severability; Conflict with Planned Community Act. In the event that any of the provisions of these Protective Covenants now or hereafter conflict with the provisions of any applicable law or requirement, including (but not limited to) the Planned Community Act, the provisions of the applicable law shall control unless the law permits these Protective Covenants to override the applicable law, in which event these Protective Covenants shall control. In the event any of the provisions of these Protective Covenants shall be deemed invalid by a court of competent jurisdiction, said judicial determination shall in no way affect any of the other provisions hereof, which shall remain in full force and effect, and any provisions of these Protective Covenants deemed invalid by a court of competent jurisdiction by virtue of the term or scope thereof shall be deemed limited to the maximum term and scope permitted by law. In the event that any court should hereafter determine that any provision of these Protective Covenants is in violation of the rule of property known as the "rule against perpetuities" or any other rule of law because of the duration of a time period, such provision shall not thereby become invalid, but instead the duration of such time period shall be reduced to the maximum period allowed under such rule of law, and in the event the determination of the duration of such time period requires measuring lives, such measuring life shall be that of the incorporator of the Association.

G. Certain Rights of Declarant and LLC. Notwithstanding anything to the contrary herein contained, no Improvements constructed or installed by Declarant, or LLC shall be subject to the approval of the Association or the Committee. During the period that Improvements constructed by Declarant and LLC are owned by those parties, Declarant's and LLC's Improvements shall not be subject to the provisions and requirements of these Protective Covenants. Notwithstanding the other provisions of these Protective Covenants, Declarant and LLC reserve and Declarant and LLC and their nominees shall have the right to enter into and transact on the Property any business necessary to consummate the sale, lease or encumbrance of Homes or real property including, but not limited to, the right to maintain models and a sales and/or leasing office, place signs, employ sales and leasing personnel, use the Association Property and show Homes. Declarant and LLC reserve and shall have the right to make repairs to the Association Property and to carry on construction activity for the benefit of the Property Declarant and LLC and their nominees may exercise the foregoing rights applicable to each without notifying the Association. Any such models, sales and/or leasing office, signs and any other items pertaining to such sales or leasing efforts shall not be considered a part of the Association Property and shall remain the property of Declarant, LLC or their nominees, as applicable. This Section G may not be

suspended, superseded or modified in any manner by any amendment to these Protective Covenants unless such amendment is consented to in writing by Declarant and LLC. This right of use and transaction of business as set forth herein and the other rights reserved by Declarant and LLC in the Association Documents may be assigned in writing by Declarant or LLC in whole or in part. For the purposes of this Section G of Article XIII, the term "Declarant", and "LLC" shall include any "Lender" which has loaned money to Declarant or LLC to acquire or construct improvements upon the Property or its successors and assigns if such Lender, its successors or assigns, acquires title to any portion of the Property as a result of the foreclosure of any mortgage encumbering any portion of the Property securing any such loan to Declarant, or LLC or acquires title thereto by deed in lieu of foreclosure. The rights and privileges of Declarant and LLC as set forth in this Section G, which are in addition to, and are no way a limit on, any other rights or privileges of Declarant or LLC under any of the Association Documents, shall terminate upon Declarant or LLC (as applicable) no longer owning any portion of the Property (and having any equitable or legal interest therein) or upon such earlier date as Declarant shall notify the Association in writing of Declarant's voluntary election to relinquish the aforesaid rights and privileges.

H. Disputes as to Use. In the event there is any dispute as to whether the use of the Property or any portion or portions thereof complies with the covenants, restrictions, easements or other provisions contained in these Protective Covenants, such dispute shall be referred to the Board, and a determination rendered by the Board with respect to such dispute shall be final and binding on all parties concerned therewith. Notwithstanding anything to the contrary herein contained, any use by Declarant of the Property or any parts thereof in accordance with Section G of this Article XII shall be deemed a use which complies with these Protective Covenants and shall not be subject to a contrary determination by the Board.

I. Delegation. The Association, pursuant to a resolution duly adopted by the Board, shall have the continuing authority to delegate all or any portion of its responsibilities for maintenance, operation and administration, as provided herein, to any managing agency or entity selected by the Board from time to time and whether or not related to Declarant. All contracts with management companies shall contain a provision that allows the Association to unilaterally terminate the contract without cause after ninety (90) days notice.

J. Term. These Protective Covenants and the terms, provisions, conditions, covenants, restrictions, reservations, regulations, burdens and liens contained herein shall run with and bind the Property and inure to the benefit of Declarant, the Association, Owners, and their respective legal representatives, heirs, successors and assigns for a term of twenty-five (25) years from the date of recording these Protective Covenants amongst the Public Records of the County, after which time these Protective Covenants shall be automatically renewed and extended for successive periods of ten (10) years each unless at least one (1) year prior to the termination of such twenty-five (25) year term or any such ten (10) year extension there is recorded amongst the Public Records of the County an instrument agreeing to terminate these Protective Covenants signed by Owners owning the greater of (i) two-thirds (2/3) of the Lots, or (ii) such higher percentage (if any) of Owners prescribed by the applicable provisions of the Planned Community Act, and Institutional Mortgagees holding first mortgages encumbering two-thirds (2/3) of all Lots encumbered by first mortgages held by Institutional Mortgagees, upon which event these Protective Covenants shall be terminated upon the expiration of the fifty (25) year term or the ten (10) year extension during which such instrument was recorded.

K. Rights of Mortgagees.

1. Right to Notice. The Association shall make available for inspection upon request, during normal business hours or under reasonable circumstances, the Association Documents and the books, records and financial statements of the Association to Owners and the holders, insurers or guarantors of any first mortgages encumbering any portion of the Property. In addition, evidence of insurance shall be issued to each Owner and mortgagee holding a mortgage encumbering a Home upon written request to the Association.

2. Rights of Listed Mortgagee. Upon written request to the Association, identifying the name and address of the holder, insurer, or guarantor (such holder, insurer or guarantor is herein referred to as a "Listed Mortgagee") of a mortgage encumbering a Lot and the legal description of such Lot the Association shall provide such Listed Mortgagee with timely written notice of the following:

i. Any condemnation, loss or casualty loss which affects any material portion of the Association Property;

ii. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

iii. Any proposed action which would require the consent of mortgagees holding a mortgage encumbering a Lot; and

iv. Any failure by an Owner owning a Lot encumbered by a mortgage held, insured or guaranteed by such Listed Mortgagee to perform his obligations under the Association Documents, including, but not limited to, any delinquency in the payment of Assessments, or any other charge owed to the Association by said Owner where such failure or delinquency has continued for a period of sixty (60) days.

3. Right of Listed Mortgagee to Receive Financial Statement. Any Listed Mortgagee shall, upon written request made to the Association, be entitled to financial statements for the Association for the prior fiscal year free of charge and the same shall be furnished within a reasonable time following such request.

L. Approval of Association Lawsuits by Owners. Notwithstanding anything contained herein to the contrary, the Association shall be required to obtain the approval of three-fourths (3/4) of all Members (at a duly called meeting of the Members at which a quorum is present) prior to the payment of legal or other fees to persons or entities engaged by the Association for the purpose of suing, or making, preparing or investigating any lawsuit, or commencing any lawsuit other than for the following purposes:

1. the collection of Assessments;
2. the collection of other charges which Owners are obligated to pay pursuant to the Association Documents;
3. the enforcement of the use and occupancy restrictions contained in the Association Documents;
4. in an emergency where waiting to obtain the approval of the Owners creates a substantial risk of irreparable injury to the Association Property or to Owner(s) (the imminent

expiration of a statute of limitations shall not be deemed an emergency obviating the need for the requisite vote of three-fourths (3/4) of the Members);

5. filing a compulsory counterclaim; or
6. termination of employment relationship or enforcement of a contract.

M. Compliance with Provisions. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot except as elsewhere herein provided does and shall be conclusively deemed to have consented to and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in such property.

N. Rights and Requirements of Governmental Authorities. Any governmental authority or agency, including, but not limited to the Town, its agents, and employees, shall have the right of immediate access to the Property at all times if necessary for the preservation of public health, safety and welfare. Should the Association or its Board fail to maintain the Association Property in accordance with the specifications set forth in the applicable governmental approvals for Town Hall Commons for an unreasonable time, not to exceed ninety (90) days after written request to do so, the Town and any other applicable governmental authority, by and through the affirmative action of a majority of the governing body, shall have the same right (but not the obligation), power and authority as is herein given to the Association and its Board to enforce these Protective Covenants and levy Assessments necessary to maintain the Association Property, it being understood that in such event the applicable governing body may elect to exercise the rights and powers of the Association or its Board, to the extent necessary to take any action required and levy any Assessment that the Association might have taken, either in the name of the Association or otherwise, to cover the cost of maintenance of any Association Property. The rules granted herein shall be supplemental to any governmental authority the Town may have, and application of this provision shall not diminish, limit, or restrict the right of the Town to apply any other legal rights it may have.

O. Rights reserved by and for LLC. In addition to the specific rights set forth in various other provisions of these Protective Covenants, LLC shall have the following general rights:

1. Although it is not anticipated that LLC will be the Owner of any Contributing Lots, the Lots owned by LLC (if any) shall not be subject to Assessment, unless and until LLC becomes the successor to Declarant as provided below.
2. If LLC becomes the successor to Declarant pursuant to an assignment of Declarant's rights, interests and obligations, then upon the effective date of such assignment, LLC (as the successor to Declarant) shall be liable for the payment of all Assessments on any Contributing Lots owned by LLC, or (if applicable) for the payment of the Deficit and any other financial obligations of Declarant to the Association pursuant to the Association Documents.
3. Declarant has the right to acquire the portions of the Property currently owned by LLC pursuant to a purchase contract between Declarant and LLC. The purchase contract between Declarant and LLC prohibits Declarant from taking (or allowing the Association to take) certain actions without the approval of LLC with respect to the Property, the Association, and these Protective Covenants, during the term of such purchase contract. Those actions are as follows:

- (i) Adoption of a Budget for the Association;
- (ii) Making any material amendment to these Protective Covenants;
- (iii) Adding or withdrawing any additional property to or from the terms of these Protective Covenants, or to the jurisdiction of the Association;
- (iv) Mortgaging or encumbering any portion of the Property owned by LLC.

4. The provisions of this Section O of Article XIII may be enforced by LLC and may not be amended, modified or terminated (except as provided herein) without the prior written consent of LLC.

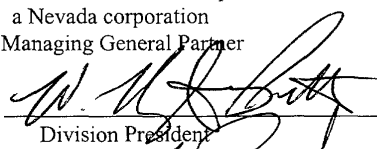
P. Joinder and Consent of LLC's Lender. CENTRAL CAROLINA BANK AND TRUST COMPANY, a North Carolina banking association, and the holder and beneficiary of a first lien security interest in the LLC Property, hereby joins in the execution of these Protective Covenants for the purpose of confirming its recognition of these Protective Covenants and agreeing not to extinguish, terminate or void these Protective Covenants or otherwise alter, diminish or limit the terms and conditions of these Protective Covenants, upon any foreclosure of its lien or otherwise.

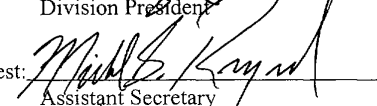
IN WITNESS WHEREOF, these Protective Covenants have been signed by Declarant and LLC on the dates set forth below.

DECLARANT:

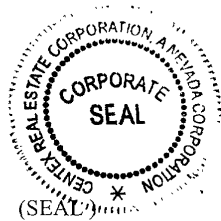
CENTEX HOMES, a Nevada general partnership

By: Centex Real Estate Corporation,
a Nevada corporation
Its: Managing General Partner

By: 
Division President

Attest: 
Assistant Secretary

Date: April 24, 2002

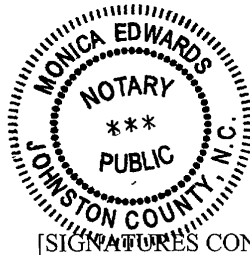


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STATE OF NORTH CAROLINA §
COUNTY OF WAKE §

I, Monica Edwards, a Notary Public for the County and State aforesaid, certify that W. Hampton Pitts personally appeared before me this day and, being duly sworn, says and deposes, that he is the Division President of Centex Real Estate Corporation, a Nevada Corporation, the Managing General Partner of Centex Homes, a Nevada general partnership, and that he executed the foregoing instrument for and on behalf of such partnership.

WITNESS my hand and official seal, this the 24 day of April, 2002.



Monica Edwards
Notary Public

Monica Edwards
Typed, Printed or Stamped Name of Notary
My Commission Expires: April 18, 2006

[SIGNATURES CONTINUED ON FOLLOWING PAGES]

JOINDER AND CONSENT OF LLC

TOWN HALL ASSOCIATES, LLC ("LLC"), as owner of the property described on Exhibit B, hereby consents to the terms, provisions and obligations of these Protective Covenants to the extent such terms, provisions and obligations apply to and bind the real property owned by LLC and described on Exhibit "B".

LLC:

TOWN HALL ASSOCIATES, LLC, a North Carolina
limited liability corporation

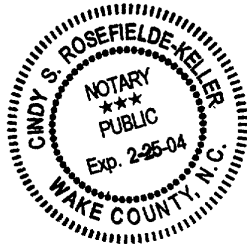
By: _____
Manager

Date: 5/10/02

STATE OF NORTH CAROLINA §
 §
COUNTY OF WAKE §

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State aforesaid and in the County aforesaid to take acknowledgments, the foregoing instrument was acknowledged before me by MICHAEL G. SANDMAN, in his capacity as Manager of TOWN HALL ASSOCIATES, LLC, a North Carolina limited liability company, who acknowledged the execution of the foregoing instrument for and on behalf of such limited liability company purposes and for the purposes therein stated.

WITNESS my hand and official seal this 10 day of May, 2002.



Notary Public
Cindy S. Rosefielde-Keller
Typed, Printed or Stamped Name of Notary
My Commission Expires:

JOINDER AND CONSENT OF LENDER

CENTRAL CAROLINA BANK AND TRUST COMPANY, a North Carolina banking association ("Lender") joins in the execution of these Protective Covenants for the purpose of acknowledging and agreeing that Lender's security interest in the LLC Property, secured by an instrument dated July 13, 2001, given by Town Hall Associates, LLC, for the benefit of Lender, and recorded in the Wake County Register of Deeds Office in Book 8998, Page 370 (referred to as the "Deed of Trust"), shall not amend, negate or otherwise affect the terms, provisions, conditions and obligations of these Protective Covenants. Accordingly, Lender acknowledges and agrees that upon any foreclosure or deed or other proceedings in lieu of foreclosure of the Deed of Trust, or upon any other action taken to enforce the lien of the Deed of Trust, these Protective Covenants shall remain in full force and effect, and shall not be void as a result of any such foreclosure, deed or other proceeding in lieu of foreclosure or other action.

LENDER:

CENTRAL CAROLINA BANK AND TRUST COMPANY, a
North Carolina banking association

Attest:

By:

Title:

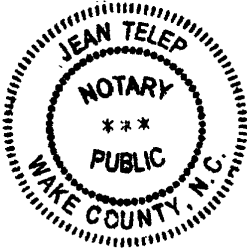
Print Name:

Secretary

Date:

STATE OF N. Carolina §COUNTY OF Wake §

The foregoing instrument was acknowledged before me, this 10th day of May, 2002, by David L. Schaffer acting on behalf of CENTRAL CAROLINA BANK AND TRUST COMPANY, a North Carolina banking association, as its Se. Vice President



(SEAL)

Notary Public for

My Commission Expires:

Dec. 21, 2002

STATE OF NORTH CAROLINA - COUNTY OF WAKE

The foregoing certificate of _____ Notary Public is certified to be correct. This instrument and these certificates are duly registered at the date and time and in the book and page shown on the first page hereof.

WAKE COUNTY REGISTER OF DEEDS

By: _____
Deputy/Asst. Register of Deeds

EXHIBIT "A"**Legal Description of the Declarant Property**

LYING and being in Wake County, North Carolina, and being more particularly described as follows:

Parcel 1:

BEING all of the real property shown on that certain plat entitled "SUBDIVISION PLAT, THE GABLES AT TOWN HALL COMMONS- PHASE ONE", recorded in **Book of Maps 2001, Pages 2398 through 2399, inclusive, and re-recorded in Book of Maps 2002, Pages 95-96, inclusive**, in the Wake County Register of Deeds Office, which includes 1) Lots 1-6 in "Block A", Lots 7-11, in "Block B", Lots 12-16 in "Block C", Lots 17-20 in "Block D", Lots 59-62 in "Block N", Lots 152-156 in "Block JJ", Lots 157-161 in "Block KK", Lots 21-24 in "Block E", Lots 25-28 in "Block F", Lots 29-31 in "Block G", Lots 32-34 in "Block H", Lots 35-38 in "Block I", Lots 39-43 in "Block J", and Lots 54-58 in "Block M", 2) the "Private Open Space" parcel containing approximately 3.72 acres, and 3) the cross-hatched area reserved for the development of Phase 2 blocks containing approximately 0.34 acres, all in Phase One of The Gables at Town Hall Place, as shown on the aforementioned recorded plat, to which plat reference is hereby made for a more particular description of same.

Parcel 2:

BEING all of the real property shown on that certain plat entitled "SUBDIVISION MAP OF, THE VILLAGE AT TOWN HALL COMMONS, PH. 1", recorded in **Book of Maps 2002, Pages 126 through 127, inclusive**, in the Wake County Register of Deeds Office, which includes 1) Lots 98-139, inclusive, and Lots 225-237, inclusive, 2) the "Private Park" containing approximately 0.108 acres (4,724 square feet), 3) the "Private Park" containing approximately 0.206 acres (8,988.4 square feet), 4) the "Recreational Site" containing approximately 1.499 acres (65,285.9 square feet), 5) the "Private Park" containing approximately 0.298 acres (12,998.7 square feet), and 6) the "Private Park" containing approximately 0.126 acres (5,484.4 square feet), all in Phase 1 of The Village at Town Hall Commons, as shown on the aforementioned recorded plat, to which plat reference is hereby made for a more particular description of same.

Parcel 3:

BEING all of the real property shown on that certain plat entitled "SUBDIVISION MAP OF THE GARDENS AT TOWN HALL COMMONS, PH. 1", recorded in **Book of Maps 2002, Pages 128-129, inclusive**, in the Wake County Register of Deeds Office, which includes 1) Lots 1-26, inclusive, and Lots 54-86, inclusive, 2) the "Private Park" containing approximately 0.069 acres (3,003.7 square feet), and 3) the "Private Park" containing approximately 0.252 acres (10,995 square feet), all in Phase 1 of The Gardens at Town Hall Commons, as shown on the aforementioned recorded plat, to which plat reference is hereby made for a more particular description of same.

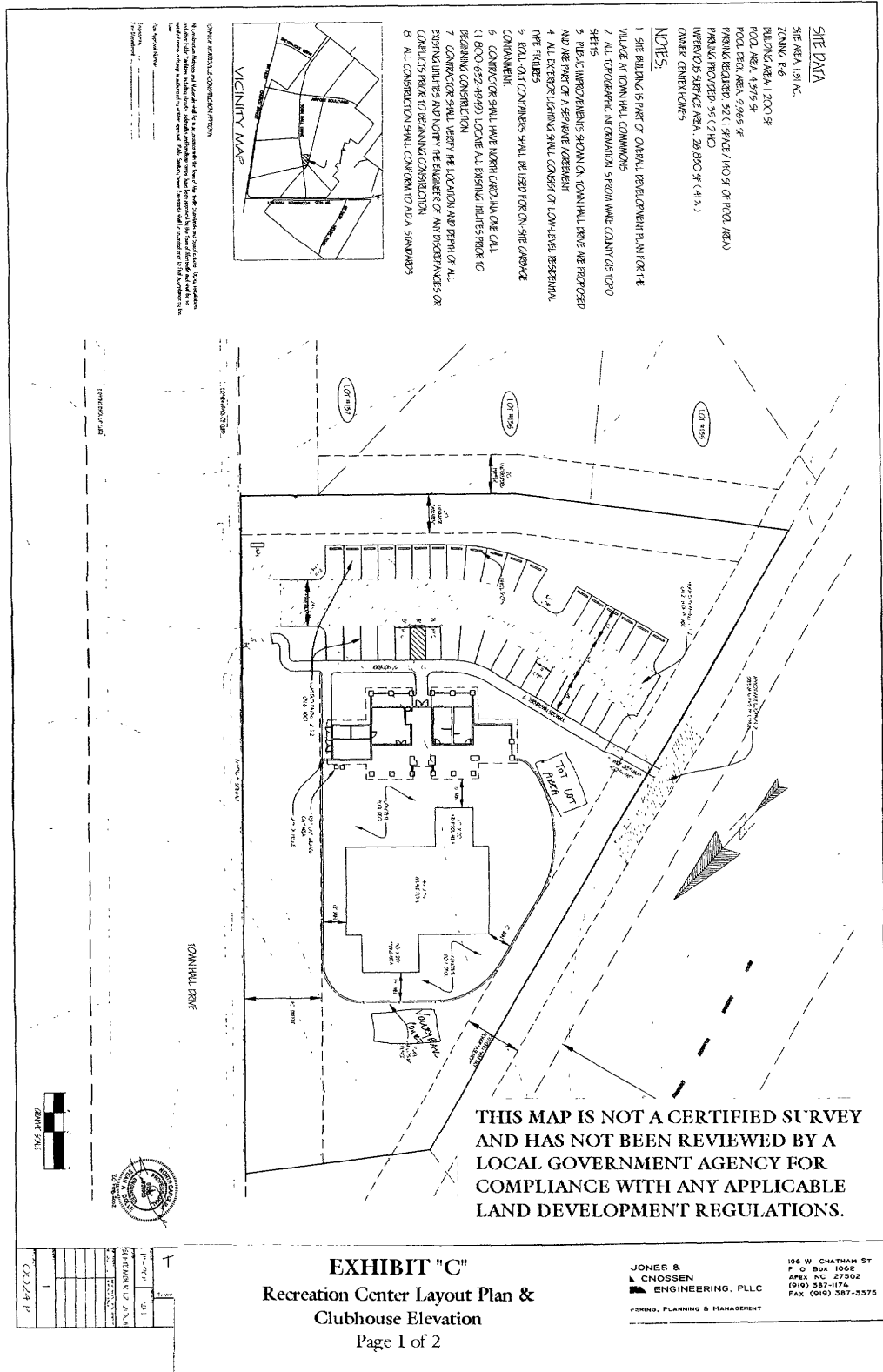
EXHIBIT "B"

Legal Description of the LLC Property

LYING and being in Wake County, North Carolina, and being a portion of the real property more particularly described as follows:

Tracts 1 through 7, as shown on a plat entitled "Recombination Survey for White Ventures, LLC, The Stephens Center, Ann W. Adams – Tracts 1-7" prepared by Elinburg Land Survey Co. P.A. dated April 17, 2001, and recorded in Book of Maps 2001, Page 957, in the Wake County Register of Deeds Office, to which plat reference is hereby made for a more particular description of same.

SAVE AND EXCEPTING THEREFROM, the real property more particularly described on Exhibit "A" attached to these Protective Covenants.



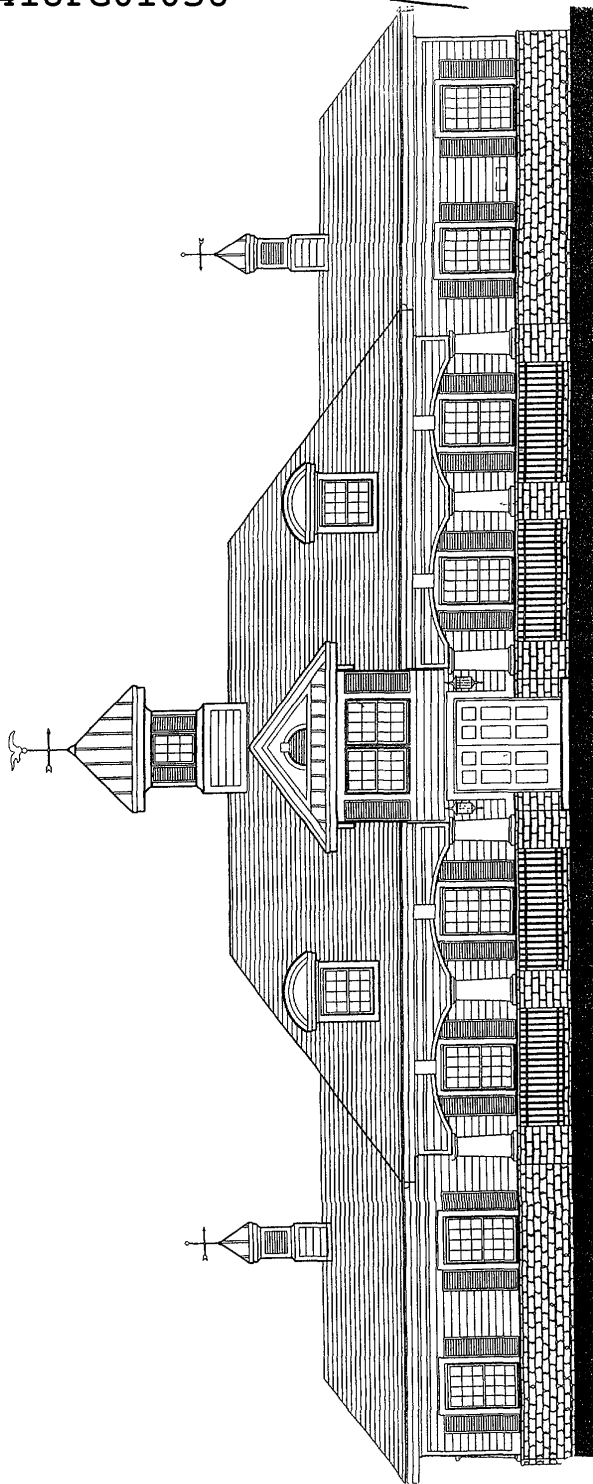


EXHIBIT "C"
Recreation Center Layout Plan &
Clubhouse Elevation
Page 2 of 2

Laura M. Kiddick
Register of Deeds
Wake County, NC



Book : 009418 Page : 00900 - 01037

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



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

North Carolina - Wake County

The foregoing certificate S of Monica Edwards

JAN Telep

Cindy S. Rose-Field-Keller

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

Laura M. Riddick, Register of Deeds

By: Fredrick C. Bayman
Assistant/Deputy Register of Deeds

This Customer Group

____ # of Time Stamps Needed

This Document

58 New Time Stamp
of Pages