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WAKE COUNTY, NC 139
LAURA M RIDDICK
REGISTER OF DEEDS
PRESENTED & RECORDED ON
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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
EDGEWATER TOWNHOMES**

Prepared by and hold for Joslin, Sedberry & Lamkin, LLP, BOX 121

NORTH CAROLINA
WAKE COUNTY

This Declaration is made as of the 25th day of May, 2005, by Anderson Homes, Inc. ("Declarant") with reference to the following facts. Sandler at Edgewater, L.L.C., a Virginia limited liability company joins in this Declaration to acknowledge its consent and agreement to the provisions of Article 19; and Sandler at Edgewater, L.L.C., as the Master Declarant under the Master Declaration, further joins in this Declaration to acknowledge its consent to the recording of this Declaration as a Subdivision Declaration pursuant to Article II, Section 6, of the Master Declaration.

WITNESSETH:

WHEREAS, Declarant is the owner of certain real property, which real property, together with such portions of the Additional Land (as hereinafter defined), if any, as Declarant hereafter owns and elects to add to such property by filing of a Map thereof and supplemental filing pursuant to Article 15 hereof, shall be hereinafter referred to as "Edgewater Townhomes" located in Wake County, North Carolina and more particularly described in Article 2 below. Declarant intends to improve Edgewater Townhomes as a planned residential townhome development by dividing such property into Lots appropriate for single-family attached townhome dwellings; and

WHEREAS, Declarant may hereafter own real property in Wake County, North Carolina (which, if applicable to this Declaration, is more particularly described on Exhibit B attached hereto and made a part hereof and referred to herein as the "Additional Land"). Declarant may, in its sole discretion and without obligation, by one or more supplemental filings pursuant to Article 15 hereof, make all or any portion of the Additional Land, if any, subject to this Declaration and a part of Edgewater Townhomes; and

WHEREAS, Declarant intends to develop Edgewater Townhomes under a common scheme and general plan for its improvement and maintenance; and

WHEREAS, for this purpose Declarant intends to (and with respect to the Additional Land, if any, reserves the right to), subject the initial Maps of Edgewater Townhomes as described in Article 2 below, and so much of the Additional Land, if any, as shall, from time to time, be annexed in accordance with the provisions of this Declaration, to the covenants, conditions, restrictions, easements, liens, charges, assessments and equitable servitudes set forth in this Declaration, for the benefit of Edgewater Townhomes and the future owners of Lots therein; and

WHEREAS, Declarant deems it desirable for the management and administration of the planned development and for the preservation of the values and amenities of the planned development to incorporate Edgewater Townhomes Association, Inc, a nonprofit corporation under the laws of the State of North Carolina for the purposes of providing for the maintenance and upkeep of the exterior of all residential units and the Sub-Association Common Area, administering the limitations, covenants, conditions, restrictions, easements, liens and equitable servitudes created by or imposed in accordance with the provisions hereof, collecting and disbursing the assessments and charges imposed in accordance with the provisions hereof, and exercising such other powers as may be authorized by this Declaration, by law, or by its Articles of Incorporation and Bylaws; and

WHEREAS, the Property is subject to that certain Master Declaration (as defined below). A Master Association (as defined below) has been created to enforce the provisions of the Master Declaration; and

WHEREAS, this Declaration is defined in the Master Declaration as a "Subdivision Declaration," and the Association is defined in the Master Declaration as a "Sub-Association"; and

WHEREAS, the Master Declaration contemplates that separate easements, covenants, conditions and restrictions may be imposed with regard to the Development Parcels constituting Edgewater, and that separate Associations may be established for some or all of the Development Parcels within Edgewater pursuant to one more Subdivision Declarations; and

WHEREAS, this Declaration and the Association have concurrent jurisdiction over the Property, but this Declaration and the rights and powers of the Association are subordinate to the Master Declaration and the rights and powers of the Master Association. The assessments levied against the Lots by the Association shall be in addition to the assessments levied against the Lots by the Master Association pursuant to the Master Declaration.

NOW, THEREFORE, Declarant hereby declares as follows:

ARTICLE 1 DEFINITIONS

The following terms shall have the following meanings when used in this Declaration:

Act. "Act" means and refers to the North Carolina Planned Community Act, Chapter 47F, North Carolina General Statutes.

Additional Land. "Additional Land" means the real property described on Exhibit B, if any shall be attached hereto, all or any portion of which may from time to time be made subject to this Declaration pursuant to the provisions of Article 15 hereof and which, when so subjected, shall become a part of the Property.

Architectural Control Committee. "Architectural Control Committee" or "ACC" shall mean the committee of the Association created pursuant to Article 13 with authorization over new construction, modifications and alterations in the Property.

Articles. "Articles" means the Articles of Incorporation of the Association, including any amendments thereto.

Association. "Association" means Edgewater Townhome Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

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

Builder. "Builder" means any entity to which Anderson Homes, Inc. assigns its interest in its lot purchase contract with Declarant, and any commercial builder that purchases and owns a Lot within the Subdivision for the purpose of constructing upon it a residence to be sold.

Bylaws. "Bylaws" means the Bylaws of the Association, including any amendments thereto.

City. "City" means the City of Raleigh in Wake County in the State of North Carolina.

Completion of Sales. "Completion of Sales" means the earlier of (a) the conveyance of all Lots in the Property to purchasers other than a successor Declarant hereunder, or (b) the expiration of the later of (i) ten (10) years from the closing of the first sale of a Lot by Declarant, (ii) seven (7) years from the conveyance by Declarant of the first Lot in the Phase most recently made subject to this Declaration (provided, however, if Declarant is delayed in developing the Property, constructing improvements or selling Lots and dwellings due to strikes or work stoppages; shortages of materials, supplies, fuel, power, or energy; moratoria or suspensions on issuance of land use permits and approvals or affecting the availability of water, sewer, power or other utilities or necessary services; inclement weather; civil strife; major disaster or other cause beyond Declarant's reasonable control, said seven (7) and ten (10) year periods shall be extended by the period of any such delay), or (iii) at such time as Declarant records a Notice of Termination of Sales in the public records of the County.

County. "County" means Wake County in the State of North Carolina.

CPI. "CPI" means The Consumer Price Index For All Urban Consumers ("CPI-U"), U.S. City Average (All Items) published by the United States Bureau of Labor Statistics.

Declarant. "Declarant" means Anderson Home, Inc, a corporation, and any successor or assign to whom Declarant assigns its interest as Declarant hereunder in whole or in part by instrument recorded in the official records of the County.

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Declaration. "Declaration" means this Declaration and all amendments or supplements hereto.

Developer. "Developer" means Sandler at Edgewater, L.L.C., a Virginia limited liability company.

Dwelling. "Dwelling" means any building or portion thereof within the Properties which is designated and intended for use and occupancy as a residence by a single family, whether by its Owner or by tenants or lessees of such owner.

FHA. "FHA" means the Federal Housing Administration.

Insurance Trustee. "Insurance Trustee" means a national banking association or title company licensed to do business in North Carolina as may be designated by the Association to hold and disburse funds as trustee for the Association and the Owners, as provided in this Declaration.

Limited Common Area. "Limited Common Area" is defined as a portion of the Sub-Association Common Area allocated by the Declarant or by the Association or by operation of law for the exclusive use of one or more but fewer than all of the Lots.

Lot. "Lot" means any numbered lot or plot of land, together with any improvements thereon, which is shown upon any Map covering the Property, or a part thereof, which is not dedicated right-of-way or Sub-Association Common Area.

Map. "Map" means a recorded boundary or subdivision plat of all or a portion of the Property recorded in the Wake County Public Registry.

Master Association. "Master Association" shall mean Edgewater Community Association, Inc., a North Carolina non-profit corporation, the association established with respect to the Master Declaration.

Master Declaration. "Master Declaration" shall mean the Declaration for Edgewater recorded in the Wake County Public Registry in Book 9913, Page 1274, as amended by a First Amendment To Declaration for Edgewater recorded in Book 10457, Page 2158, Wake County Registry.

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

Mortgage. "Mortgage" means a mortgage or deed of trust which constitutes a first lien upon a Lot given to a bank, savings and loan association or other institutional lender.

Mortgagee. "Mortgagee" means the holder of the beneficial interest in any Mortgage.

Notice and Opportunity for Hearing. "Notice and Opportunity for Hearing" means giving at least fifteen (15) days' prior notice of a proposed action and the reasons therefor, and an opportunity to be heard by the Board, orally or in writing, not less than five (5) days before the effective date of the proposed action.

Owner. "Owner" means the record owner, whether one or more persons or entities, of fee simple title to any Lot, and shall include Declarant as to any Lot owned by Declarant. "Owner"

shall not include any person or entity who holds an interest in a Lot merely as security for the performance of an obligation or as a tenant.

Person. "Person" means an individual, corporation, partnership, limited liability company, trustee or other legal entity capable of holding title to real property.

Property. "Property" means the portion of Edgewater Townhomes described in Article 2 below and, when and if subjected to the terms and provisions of this Declaration by Declarant acting in its sole discretion, all or any portion of the Additional Land, if any, and any other real property subjected to this Declaration by Supplemental Declaration recorded pursuant to Article 15 hereof.

Phase. "Phase" means the real estate shown on each Map of the Property, including the portion of Edgewater Townhomes described in Article 2 below, as recorded in the Wake County Public Registry.

Rules and Regulations. "Rules and Regulations" means reasonable and nondiscriminatory rules and regulations as may be adopted from time to time by the Association, provided notice of such rules and regulations has been given to Owners in accordance with the requirements of this Declaration.

Special Declarant Rights. "Special Declarant Rights" means, without limitation, the rights as defined in Section 47F-1-103(28) of the Act for the benefit of a Declarant, which are hereby reserved in favor of Declarant, including, but not limited to the following: the right to complete, repair, maintain, replace and operate improvements indicated on Maps of the Property; the right to exercise any development right; the right to maintain sales offices, manage offices, models and signs advertising the Property; the right to use easements through the Sub-Association Common Area and through any Lot or Lots for the purpose of making, repairing, maintaining, replacing and operating improvements within the Property, and the right to elect, appoint or remove any officer or Board member of the Association during any period of Declarant control.

Sub-Association Common Area. "Sub-Association Common Area" or "Association Common Areas" means all real property owned by or held in trust for the benefit of the Association for the common use and enjoyment of its Members, or owned by Declarant and designated for the common use and enjoyment of the Association and its Members, and all improvements and facilities constructed thereon for such purposes, including, but not limited, to any signage, irrigation and/or drainage or detention facilities, pond, dam, dock, pump station and related facilities, fountain, water feature, wells, pumps and related facilities, landscaping, retaining walls, bridges, lighting, swimming pool, wading pool, green or natural area, walking paths or trails, picnic area, putting green, club house, roadway, driveway, parking area, sports complex, ballfield, playground, tot lot, gazebo or other amenity, if any, constructed on portions of the Property designated "Common Open Space", "Sub-Association Common Area", "Amenity Area" or other similar designation on Map(s) of the Property recorded in public records of the County. "Sub-Association Common Area" or "Sub-Association Common Areas" shall also include (i) all private streets and private utilities, if any, (ii) any public road, right-of-way or cul-de-sac in the Property which has been dedicated to the public on Map(s) of the Property recorded in the County but not accepted for public maintenance by the appropriate governmental entity, (iii) any median or planting area and related signage, irrigation facilities and lighting constructed by Declarant within rights-of-way within the Property, and (iv) such easement rights for right-of-

way and appurtenant easements or licenses as Declarant may declare, acquire or reserve or as are granted to the Association for the benefit of the Owners and their permittees or for the use, care or maintenance of any portion of the Property, including, but not limited to, rights-of-way and appurtenant easements or licenses for landscaping, trees, plantings, irrigation, signage, monuments, lighting, water, sanitary sewer, storm sewer, storm water drainage and/or retention, communications and/or other utility services. Declarant hereby grants to the Association a non-exclusive easement for vehicular and pedestrian travel over any road, right-of-way or cul-de-sac within the Property which shall automatically terminate upon dedication to and acceptance for public maintenance by the appropriate governmental entity. Declarant reserves for itself all other rights to the portions of the Property over which said easement is granted.

Supplemental Declaration. "Supplemental Declaration" means a supplemental declaration of covenants, conditions and restrictions which shall be recorded for the purposes of annexing additional property, including all or any portion of the Additional land, if any, to the Property and causing such property to be subject to the scheme of covenants, conditions and restrictions contained in this Declaration and/or for the purpose of imposing, expressly or by reference, additional and/or different covenants, conditions and restrictions on the property described therein, including exemption from the provisions of Article 4, Section 4.04. Declarant shall subject to the Declaration all Additional Land acquired by Declarant, and Developer agrees that it will subject to the Declaration all Additional Land owned by it that is not acquired by Declarant to the extent necessary to comply with the requirements of Raleigh City Code Section 10-3071(b)(9)b.

Voting Power. "Voting Power" means the total number of votes allocated to Members (or to a class of Members) whose membership at the time the determination of voting power is made has not been suspended in accordance with the provisions of this Declaration or the Rules and Regulations. Voting Power shall be computed by including all such Members whether or not such Members are present in person or by proxy at a meeting. All voting specifications and requirements shall apply to the entire Property.

ARTICLE 2

PROPERTY, SUBMISSION AND TERM

2.01 Property. The property subject to this Declaration and within the jurisdiction of the Association is located in Wake County, North Carolina, and is described as follows:

SEE ATTACHED EXHIBIT A

2.02. Submission. The Property shall be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and improved subject to each and all of the limitations, covenants, conditions, restrictions, easements, liens, charges, assessments and equitable servitudes set forth herein, all of which are declared to be (a) in furtherance of a common scheme and general plan for the development, improvement and maintenance of the Property and (b) for the purpose of enhancing, maintaining and protecting the value, desirability and attractiveness of the Property. All of the limitations, covenants, conditions, restrictions, easements, liens, charges, assessments and equitable servitudes set forth herein shall run with, be binding upon and inure to the benefit of the Property, shall be binding on and inure to the benefit of each and every person having or acquiring any right, title or interest in the Property, shall be binding upon and inure to

the benefit of the successors in interest of such persons, and shall inure to the benefit of the Association, its successors and assigns.

2.03. Incorporation of Declaration Into Instruments. Any deed or other instrument by which a Lot is conveyed shall be subject to the provisions of this Declaration and shall be deemed to incorporate the provisions of this Declaration, as amended from time to time, whether or not the deed makes reference hereto.

2.04. Term. This Declaration shall remain in force until terminated by the affirmative vote of ninety percent (90%) of the total Voting Power of the Association and the written consent of ninety percent (90%) of the Mortgagees; provided, however, that if a two-class voting structure is in effect such action shall require the written approval of FHA if at the time of such vote FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations.

ARTICLE 3

COMPLIANCE WITH MANAGEMENT DOCUMENTS

3.01. Compliance with Declaration and Other Documents. Each Owner, resident, tenant or guest of a Lot shall comply with the provisions of this Declaration, the Bylaws, Rules and Regulations duly adopted by the Association, decisions and resolutions of the Association and its duly authorized representatives, all as may be amended from time to time, and failure to comply with any such provisions, decisions or resolutions, shall be grounds for an action to recover sums due for damages or for injunctive relief.

3.02. Resolution of Conflicts Between Documents. Each Owner covenants and agrees that the administration of the Property shall be in accordance with the provisions of this Declaration, the Articles, the Bylaws and Rules and Regulations duly adopted by the Association. If there are any matters of conflict or inconsistencies in the Bylaws, Articles and this Declaration, then the provisions of this Declaration shall prevail. In the event that anything shown on a Map for all or any portion of the Property is in any way inconsistent with provisions of this Declaration, then the provisions of this Declaration shall prevail unless otherwise required by law. If a dispute arises among Owners in regard to the administration of the Property, then the provisions of this Declaration shall prevail.

ARTICLE 4

PROPERTY RIGHTS

4.01. Title to the Sub-Association Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the Sub-Association Common Area depicted on the Maps of the Property, the Additional Land, or any other land adjoining the Property acquired by Declarant from the Developer, to the Association no later than the time of the conveyance of the first Lot within the applicable Phase of the Property (unless Declarant is prohibited by local development regulations to convey the Sub-Association Common Area to the Association at such time), free and clear of all encumbrances and liens, except those set forth in this Declaration and utility and storm drainage easements. Following conveyance of Sub-Association Common Area to the Association, Declarant shall be entitled to a proration credit for all expenses of the Association incurred by Declarant (including insurance and real estate taxes) not theretofore

reimbursed to Declarant. The Sub-Association Common Area shall be conveyed without any express or implied warranties, which warranties are hereby expressly disclaimed by Declarant. Upon such conveyance, maintenance of the Sub-Association Common Area shall be the responsibility of the Association, including, but not limited to, the maintenance of any stormwater facilities that are part of the Sub-Association Common Area, except those stormwater facilities for the entire Edgewater Subdivision that are the maintenance responsibility of the Master Association. The maintenance of these stormwater facilities, including the expansion of such facilities as required by the City or otherwise, shall be performed to the standard required by the City or other applicable governing body. Title to the Sub-Association Common Areas, including, without limitation, all private streets, if any, shall be for the perpetual benefit of the Members, and private or public ownership for any purpose other than for the benefit of the Members is prohibited.

4.02. Sub-Association Common Area Easements. Each Owner shall have a non-exclusive right and easement of use and enjoyment in and to the Sub-Association Common Area and of access to and from such Owner's Lot over any streets comprising a portion of the Sub-Association Common Area (if any), which rights and easements shall be appurtenant to and shall pass with the title to such Owner's Lot and subject to the following rights and restrictions:

(a) The right of the Association, after Notice and Opportunity for Hearing, to limit the number of guests of an Owner, to charge reasonable fees with respect to the use of Sub-Association Common Area facilities, if any, and to limit the use of said facilities to Owners who occupy a residence in the Property.

(b) The right of the Association to suspend the right of an Owner to use any Sub-Association Common Area recreational facilities (i) for any period during which any fine against such Owner or any assessment against such Owner's Lot remains unpaid; and (ii) after Notice and Opportunity for Hearing, for a period not to exceed thirty (30) days for any infraction of the Rules and Regulations;

(c) The right of the Association, subject to the provisions of the Act (Section 3-112), to encumber or convey all or any part of the Sub-Association Common Area, provided however that if a two-class voting structure is in effect such action shall require the written approval of FHA if at the time of such action FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations.

(d) The right of the Association to grant easements, leases, licenses and concessions through or over the Sub-Association Common Areas.

(e) The right of the Association, subject to the provisions of the Act (Section 3-112), to borrow money to improve, repair, restore and reconstruct the Sub-Association Common Area and to place liens on the Sub-Association Common Area and otherwise encumber the Sub-Association Common Area for such purposes, provided however that if a two-class voting structure is in effect such action shall require the written approval of FHA if at the time of such action FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations.

(f) The right of the Association to adopt Rules and Regulations governing use and enjoyment of the Sub-Association Common Area and the Property.

(g) The rights of the Association and of Declarant to the use of easements for ingress and egress over, in, to and throughout the Sub-Association Common Area.

(h) Public storm drainage easements, sanitary sewer easements, and any and all other easements over the Sub-Association Common Areas as shown on the Maps.

(i) The right of Declarant, its successors and assigns to make any improvements for any reason they deem proper upon the Sub-Association Common Areas, even after their conveyance to the Association. Declarant hereby reserves an easement over the Sub-Association Common Areas for the purpose of developing the remainder of the Property and all other real property subject to this Declaration. Although not limiting the scope of this easement, this easement shall include the right of access at all times for its employees, agent, subcontractors, invitees, etc., over the Sub-Association Common Areas and shall include the right to construct, maintain and dedicate any additional drainage easements, general utility easements and any additional sanitary sewer or water line easements across any of the Sub-Association Common Areas. This easement shall terminate upon the completion of the development of the adjacent property owned by Declarant or ten (10) years from the date hereof, whichever first occurs.

4.03. Delegation. Any Owner may delegate his or her rights of use and enjoyment of the Sub-Association Common Area and any facilities thereon to the members of his or her family or household residing on his or her Lot and to his or her guests and invitees while in possession of his or her Lot, subject, however, to reasonable restrictions imposed by the provisions of this Declaration, the Bylaws and the Rules and Regulations. If a tenant is permitted to occupy an Owner's Lot, under the Rules and Regulations, and notice of such tenancy is given to the Association, the tenant while residing on such Owner's Lot, shall be entitled to use and enjoy the Sub-Association Common Area and any facilities thereon and to delegate rights of use and enjoyment in the same manner as if such tenant were the Owner of such Lot. No such delegation shall release an Owner from his or her obligations hereunder, including, without limitation, the obligation to pay regular and special assessments.

Upon request, each Owner or tenant shall notify the Secretary of the Association of the names of all persons to whom such Owner or tenant has delegated any rights of use and enjoyment of the Sub-Association Common Area and the relationship that each such person bears to such Owner or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as the rights of Owners.

4.04. Tenants. No owner shall lease or rent its Lot except as may be permitted by the Rules and Regulations.

4.05. Reciprocal Easements. There shall be reciprocal appurtenant easements between each Lot and such portion or portions of the Sub-Association Common Area as may be adjacent thereto and between adjacent Lots for the flow of rainwater from gutters and downspouts, the repair of fences and similar improvements, and lawn maintenance; provided, however, that no such easement shall unreasonably interfere with the use and enjoyment of the Sub-Association Common Area or any adjacent Lot. If any Sub-Association Common Area or Lot improvement encroaches upon a Lot because of the placement, construction, reconstruction, repair, movement, settling or shifting of the improvements constructed by Declarant, or reconstructed or repaired in accordance with the provisions of this Declaration, an easement for the encroachment and for its maintenance shall exist to a distance of not more than three (3) feet as measured from any point on the common boundary between the Sub-Association Common Area and the Lot or between Lots, as the case may be, along a line perpendicular to such boundary at such point; provided,

however, that in no event shall such an easement exist for willful encroachments. If any Lot encroaches upon the Sub-Association Common Area as a result of construction, reconstruction, repair, shifting, settlement or movement of any portion of the Property, an easement for the encroachment and for its maintenance shall exist so long as it remains.

4.06. Utility Easements. Any easements for installation, maintenance, use or repair of public utilities or drainage or detention facilities which are dedicated on any Map of the Property, reserved under any deed of any Lot, or created by Declarant in some other way shall be kept free of buildings, and within such easements no structure, fence, planting or other improvement shall be placed or permitted to remain which may damage or interfere with the installation, maintenance, use or repair of such public utilities or drainage or detention facilities, or which may damage, interfere, or change the direction or flow of drainage in the easements. Notwithstanding anything contained herein to the contrary, any such easement dedicated on any Map of the Property, reserved under any deed of any Lot, or created by Declarant in some other way, that is not for overall development of the Property and serves less than all the Lots, shall be maintained by the Owner(s) of any affected Lot(s) to the extent so encumbered by said easement, including all storm drainage facilities located within any "P. S. D. E." (public storm drainage easement) shown on the Map, except as otherwise indicated by such Map or unless maintenance has been assumed by any public utility or governmental entity having jurisdiction thereover. All such easements at all times shall be accessible to Declarant until the Property is completed and at all times shall be accessible to all persons installing, repairing, using or maintaining such utilities and drainage facilities.

All utility lines of every type, except parts thereof that must remain above ground, including but not limited to water, electricity, gas, telephone, sewage and television cables, running from the main trunk line or service location to any Lot must be underground. The Declarant reserves unto itself, its successors and assigns, a perpetual alienable easement and right on, over and under the ground to erect, maintain and use water, irrigation, electric, gas, telephone, sewage and television cables, and any other utilities lines and conduits for the purpose of bringing public or other services, at this time known or unknown, to the Property, or any other real property subject to this Declaration, on, in, under and over the private streets or roads and over any Lot, and over such areas as are so identified on any Map of the Property or shown on any site plan for the Property on file with and approved by the City. In addition, the Association may cut, in the above described easements, as well as any where else as required, at its own expense, drainways for surface water and/or to install underground storm drainage wherever and whenever such action is required by applicable health, sanitation or other state or local authorities, or in order to maintain reasonable standards of health, safety and appearance. In addition, along streets fronting property lines, Declarant reserves the right to install, maintain and repair pedestrian paths, street lights and/or street-side landscaping, which right shall automatically transfer to the Association upon the termination of Class B membership. Any easements first established on property not owned by the Declarant must be consented to by the Owner of such property and evidenced on the Map or in recorded instrument creating the easement.

The Declarant may, but shall not be required to, release any of the easements reserved herein as to any Lot for which it deems such easement is unnecessary for the efficient development and operation of the Property.

4.07. No Subdivision of Lots; No Time-Sharing. Other than that effected by Declarant in preparing and recording or re-recording Maps, there shall be no further subdivision or partition of any Lot nor shall any Owner other than Declarant, or any other person acquiring any interest in a Lot seek any partition or subdivision thereof unless the Association consents to such subdivision or partition as evidenced on a Map. There shall be no time-sharing or other co-ownership which allows multiple Owners sequential possessory interests in a Lot.

4.08. Sale of Sub-Association Common Area. Except as otherwise provided in this Declaration, no sale, transfer, dedication, hypothecation, partition, subdivision, abandonment, release or alienation of the Sub-Association Common Area shall, or may be, effected except as provided in the Act, provided further, however, that if a two-class voting structure is in effect written approval of FHA shall also be required if at the time of such action FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations.

4.09. Limited Sub-Association Common Area. Certain portions of the Sub-Association Common Area may be designated as "Limited Sub-Association Common Area" and reserved for the exclusive use or primary benefit of Owners of designated Lots and their invitees. By way of illustration and not limitation, Limited Sub-Association Common Area may include entry features, recreational facilities, landscaped medians and cul-de-sacs, roadways not necessary to provide other Lots with access to public streets, lakes and other portions of the Sub-Association Common Areas designated to benefit particular Lots. All costs associated with maintenance, repair, replacement, and insurance of a Limited Sub-Association Common Area shall be an expense allocated to the Owners to which the Limited Sub-Association Common Area is assigned, which may be recovered by one or more special assessments levied by the Board equally against the benefited Owners. Any Limited Sub-Association Common Area shall be designated as such and the exclusive use thereof shall be assigned in the deed(s) by which the Declarant conveys the Sub-Association Common Area to the Association and shown on a Map designating such Limited Sub-Association Common Area; provided, any such assignment shall not be exclusive and shall not preclude the Declarant from later assigning use of the same Limited Sub-Association Common Area to additional Lots. The Association may, upon approval of the Owner(s) of the Lot(s) to which certain Limited Sub-Association Common Area is assigned, permit Owners of other Lots and their invitees to use all or a portion of such Limited Sub-Association Common Area upon payment of reasonable user fees, which fees shall be used to offset the special assessments attributable to such Limited Sub-Association Common Area.

4.10. Declarant's Right to Change Development Plans. With the approval of the City, Declarant shall have the right, without consent or approval of the Owners, to create Lots and dwelling units, add Sub-Association Common Area, change unit types and reallocate units within the Property, and withdraw real property from the development. In addition, Declarant shall have the right to change Sub-Association Common Area and Lots designations, the boundary lines of Sub-Association Common Area and Lots and the location of easements shown on any Map by recording a new Map showing such changes, which Map shall be executed by the Declarant and the Owner of the Sub-Association Common Area or Lot so modified. To the fullest extent permitted by North Carolina law, each Owner covenants by acceptance of the deed or instrument by which its Lot is conveyed not to protest, challenge or otherwise object to (i) changes in uses or density of the Property or Additional Land, or (ii) changes in the site plan and other development documents filed with the City in connection with the Property or Additional Land.

4.11 Party Walls.

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

(b) Sharing of Repair and Maintenance. The cost of replacement, repair and maintenance of a party wall shall be shared equally by the Owners of the townhomes which share the wall, in proportion to such use.

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

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

(e) Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owners successors in title.

(f) Arbitration. In the event of any dispute arising concerning a party wall or under the provisions of this Section, the same shall be settled by arbitration in the manner provided under the Uniform Arbitration Act of North Carolina, as the same may be amended from time to time.

4.12. Rules and Regulations. The Association shall have the right to adopt, publish and enforce Rules and Regulations governing the Property, the use and enjoyment of the Sub-Association Common Area, and any facilities thereon, and the personal conduct thereon of the Owners, their guests, invitees, members of their families or households and tenants. Such Rules and Regulations shall be reasonable, shall not discriminate against Declarant (or have an adverse impact on Declarant or upon the sale of Lots or the construction of improvements thereon), and must be consistent with this Declaration, the Articles and the Bylaws. Rules and Regulations and any changes thereto shall not be effective until written notice thereof has been given by mailing a copy of the Rules and Regulations, postage prepaid, at least ten (10) days before the effective date of the Rules and Regulations, to each Owner addressed to the Owner's address last appearing in the books of the Association.

4.13. Enforcement. Unless otherwise limited by the terms and provisions of the Act, the Association shall be authorized to impose sanctions for violations of this Declaration, the Bylaws, or the Rules and Regulations. Sanctions may include reasonable monetary fines not to exceed \$150.00 per day and suspension of the right to vote and to use any recreational facilities within the Sub-Association Common Area after Notice and Opportunity for Hearing. In addition,

the Association, through the Board, after Notice and Opportunity for Hearing, shall have the right to exercise self-help to cure violations, and shall be entitled to suspend any services provided by the Association to any Owner or Lot in the event that such Owner is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association. The Board shall have the power to seek relief in any court for violations of this Declaration, the Bylaws or the Rules and Regulations or to abate nuisances.

ARTICLE 5

SUB-ASSOCIATION COMMON AREA EASEMENTS AND RIGHTS OF WAY; ENCUMBRANCES

5.01. Dedications. The Association shall have the power to grant easements in, on, over, through and across the Sub-Association Common Area for any public or quasi-public improvements or facilities and their appurtenances, including, without limitation, street, sewer, drainage, water, gas and sprinkler improvements and facilities, provided (a) any such easement does not unreasonably interfere with the use and enjoyment of the Sub-Association Common Area or any Lot, and (b) the prior written consent of Declarant shall be obtained so long as Declarant owns any Lot. Each Owner, by accepting a deed to a Lot, expressly grants to the Association an irrevocable power of attorney for the purpose of granting such easements in, on, over, through and across the Sub-Association Common Area. The President or other duly designated officer of the Association may execute, acknowledge and record in the official records of the County a certificate stating that the Board is the attorney in fact for the Owners for the purpose of such grant and that such power of attorney is properly exercisable in accordance with this Declaration. The acts of the Board in exercising its power of attorney shall be conclusively binding on all Owners. The power of attorney herein granted shall include authority to do such acts incidental to such grant and to incur such expenses as may be necessary or convenient in connection therewith. The Board, by resolution, shall instruct the appropriate officers of the Association to make, execute and deliver on behalf of any Owner, as his or her interest may appear, any and all instruments, certificates and documents, including but not limited to, releases, waivers, deeds, escrow instructions and conveyances of every kind and nature, as may be deemed necessary or convenient for such dedication or grant.

5.02. Easements in Private Streets, Private Water Lines and Private Sewer Lines. In its development of the Property, the Declarant may construct certain private streets, private water lines and private sewer lines within the Property. The Owners of those Lots adjacent to such private streets, private water lines and private sewer lines shall have an easement but no more than an easement for ingress and egress for themselves, their tenants, agents, employees, representatives, invitees and assigns over such private streets and an easement to utilize such private water lines and private sewer lines. In no case shall the City, County or the State of North Carolina be responsible for maintaining any private street, private water line or private sewer line. Such maintenance obligations shall be the responsibility of the Association. If any private streets, private water lines or private sewer lines encroach upon a Lot because of the placement, construction, reconstruction, repair, movement, settling or shifting of the improvements constructed by Declarant, or reconstructed or repaired in accordance with the provisions of this

Declaration, an easement for the encroachment and for its maintenance shall exist; provided, however, that in no event shall such an easement exist for willful encroachments.

5.03. Encumbrances. The Association shall have the right to borrow money to improve, repair, restore and reconstruct the Sub-Association Common Area and to place liens on the Sub-Association Common Area and otherwise encumber the Sub-Association Common Area for such purposes (a) if a two-class voting structure is in effect, upon the written consent of eighty percent (80%) of the Voting Power of each class of Members of the Association, or (b) if a two-class voting structure is not in effect, upon the written consent of eighty percent (80%) of the total Voting Power of the Association and the written consent of eighty percent (80%) of the Voting Power of the Association residing in Members other than Declarant or such lesser percentage as may be required or permitted by the Act. As long as there are two (2) classes of membership in the Association, any mortgaging of the Sub-Association Common Area shall require the approval of FHA if at the time of such action FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations.

ARTICLE 6

SUB-ASSOCIATION COMMON AREA AND LOT MAINTENANCE

6.01. Maintenance by Association. The Association shall repair and maintain the Sub-Association Common Area and any improvements, utilities and facilities located on the Sub-Association Common Area. This responsibility shall also include, without limitation, maintenance, repair and replacement of all landscaping and grassed areas, fencing, private roadways, private alleyways and private streets, private utilities, retaining walls, signage, Sub-Association Common Area driveways and parking areas, sidewalks, walking paths or nature trails, lakes, ponds or streams, including retention ponds, swimming pools, cabanas and other recreational facilities, and other improvements or utilities situated on the Sub-Association Common Area. The Association may, but shall not be obligated to, provide enhanced landscaping and maintenance to those areas and medians located within the rights-of-way for streets located within the Property. Any maintenance or enhancement called for herein shall be subject to governmental authorities' rules and regulations in the City. The Association shall maintain such signs and associated lights, landscaping, irrigation, etc. identifying the Edgewater Townhome development, and any landscaping or other improvements pursuant to an encroachment agreement between the Association and the City.

The Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder as follows: paint, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces [with the exception of entry doors (including garage doors) and their appurtenant hardware and all exterior glass including windows and patio doors, all of which shall be maintained, repaired and replaced by the Lot Owner] trees, landscaping, grass, fencing, walks, driveways (as hereinafter limited) and other exterior improvements. Such maintenance as to the Lots shall also include the mowing and trimming of grass. Maintenance of the driveway constructed by the Declarant on each Lot shall extend only to the exterior face of the garage door, beyond which such maintenance, repair and replacement shall be the responsibility of such Lot Owner. The Association shall maintain any portion of any sewer main to which such line is connected, provided that the Owner of each Lot shall be responsible for all repair, replacement

and clean out of sewer lines and facilities located upon such Owner's Lot behind the clean-out to (and including the lines and facilities servicing) the townhome unit. Exterior maintenance required by the Association hereunder shall not include the cleaning of patios, walkways, stoops or driveways on the Lots, all of which shall be the responsibility of the Lot Owner. The determination of the need, quality, extent and cost of such maintenance and repairs shall be made by the Board of the Association, which determination shall be reasonable and made upon consistent and non-arbitrary principles adopted by the Board.

The Declarant is responsible for construction of streets and roads within the Property. The Association shall undertake the management, operation, maintenance, repair, servicing, replacement and renewal of all private streets and private utilities constituting Sub-Association Common Areas and all improvements thereon. The Declarant shall be responsible for and maintain all other streets and roads within the Property until such roads are accepted for maintenance by the applicable governmental authority. Following any irrevocable acceptance of the streets and roads for maintenance as public rights of way by applicable governmental entities, the Association shall maintain such streets and roads to the extent such activities are not performed by the applicable governmental entities. Maintenance for private streets, private water lines and private sewer lines serving all the Property shall be the responsibility of the Association along with the maintenance of any private easements.

6.02. Maintenance by Owners. Except as provided in Section 6.01, above, and Section 10.06, below, all repair, maintenance and replacement of the improvements and utilities located upon an Owner's Lot shall be the responsibility of the Owner thereof. Without limiting the generality of the foregoing, and subject to the requirements of Article 7 and Section 13.06 of this Declaration, an Owner shall be responsible for replacement and reconstruction of improvements on his or her Lot required because of damage or destruction by fire or other casualty, except the Association will be responsible for replacement and reconstruction of any damage or destruction that is covered by insurance provided by the Association under the provisions of Section 10.02 of Article 10. Each Owner shall maintain, repair and replace, at his or her expense, all exterior light fixtures attached to the Owner's unit and all interior portions of the improvements which shall need repair, including bathroom and kitchen fixtures, light fixtures or other electrical or plumbing equipment, utility pipes, lines and fittings serving the Lot. Further, each Owner shall repair, maintain, and replace, at his or her expense, the heating and air conditioning systems servicing said Owner's unit, whether located on the Owner's Lot or in the Sub-Association Common Area adjacent to the Lot. Each Owner shall be responsible for interior pest control.

6.03. Negligence. The cost of repair or replacement of any improvement to be maintained and kept in repair by the Association, which repair or replacement is required because of the act or omission of any Owner, the Owners family, guests, or invitees, shall be the obligation of such Owner and shall be added to and become a part of the assessment to which such Lot is subject.

6.04. Right to Enter. After reasonable notice to the occupant, the Association or its agents shall have access over and upon any Lot when necessary in connection with any repair, maintenance, or replacement of improvements for which the Association is responsible or for the enforcement of this Declaration, and each Owner shall accept title to his or her Lot subject to such right of access of the Association or its agents.

6.05 Easements for Governmental Access. An easement is hereby established over the Sub-Association Common Area and every Lot for the benefit of applicable governmental agencies

for installing, removing, and reading water meters; maintaining and replacing water, sewer and drainage facilities; and acting for other purposes consistent with public safety and welfare, including, without limitation, law enforcement, fire protection, garbage collection and delivery of mail.

6.06. Sign and Landscape Easement. Declarant, for itself, its successors and assigns, including but not limited to the Association, hereby reserves easements over any portion of any Lot designated as "Landscape Easement," "Sign Easement," "Landscape and Sign Easement" or other similar designation on Map(s) of the Property recorded in the public records of the County, for installation, construction, operation and maintenance of landscaping, berms, retaining walls, drainage facilities, private utilities, lighting and sprinkler systems, if any, monuments, fencing, signage and other improvements as installed by Declarant on such areas. No fences, structures, driveways, plantings, swings or any other objects, temporary or permanent, shall be permitted in such easements other than those initially installed by Declarant, or its designated successor, without Declarant's prior written approval or, after all Lots are occupied by Owners, the Association's prior written approval. The Declarant, as long as it owns any portion of the Property, and the Association shall at all times have the right of access for its employees, agents and subcontractors over the above described easement areas for the purpose of constructing, improving, landscaping, planting, mowing and otherwise maintaining the area and amenities within such easements. The owners of any Lot containing any portion of these easements shall maintain the area not maintained or landscaped by the Declarant or the Association. The reservation of this Easement imposes no obligation on Declarant, its successors and assigns, or the Association, to continue to maintain the planting, retaining walls, landscaping or other improvements located within the described easements; but the party who owns the property being served by the easement must maintain it or remove the easement and restore the affected property to a condition compatible with the adjoining land.

ARTICLE 7

USE RESTRICTIONS

In addition to the architectural control restrictions set forth in Article 13 below, the following use restrictions apply to the Property:

7.01. Residential Use. Except as otherwise provided in this Declaration, Lots shall be used for residential purposes and for no other purpose. The Association shall not interfere with any Owner's freedom to determine the composition of his/her household, except that it may enforce reasonable occupancy limits. Except with respect to construction trailers or model homes which may be used or occupied by Declarant or Builder, no Owner shall use or cause or permit to be used his or her Lot for any business, commercial, manufacturing or mercantile use or purpose, or for any other nonresidential use or purpose. The foregoing notwithstanding, it shall be expressly permissible for Owners to conduct certain business or commercial activities within their residence which do not conflict with local zoning ordinance restrictions and regulations. No such activity shall be conducted which shall unduly burden traffic flows within the Property or cause the parking of non-resident vehicles, equipment or other property upon the street for unreasonable or excessive periods of time. It shall be within the discretion of the Board to determine, on a case by-case basis, which commercial and business related activities will be compatible with the residential nature of the subdivision.

7.02. Unlawful Activity. No unlawful activity shall be conducted on any Lot or in any other part of the Property. Nothing shall be done within the Property that is an unreasonable annoyance, inconvenience or nuisance to the residents of the Property, or that unreasonably interferes with the quiet enjoyment of occupants of Lots. No doorways, walkways or streets shall be obstructed in any manner which would interfere with their use for ingress or egress in the event of fire, earthquake or other emergency.

7.03. Property Owners Parking Rights. Unless otherwise permitted by the Rules and Regulations no boat, trailer, recreational vehicle, camper, camper truck, commercial vehicle, equipment or other unsightly property shall be parked, stored or left (a) on any undesignated part of the Sub-Association Common Area, (b) in any parking space, (c) on any other part of a Lot, (d) or otherwise within the Property. This restriction shall not apply to sales trailers, construction trailers, or other vehicles which may be used by Declarant or Builder and their agents and contractors in the conduct of their business prior to the Completion of Sales. No vehicle of any type which is abandoned or inoperative shall be stored or kept on any part of the Sub-Association Common Area or on any Lot, and no automobiles or other mechanical equipment may be dismantled or parts thereof stored on any said Lot. No vehicles of any type shall be parked on the sidewalk, nor shall vehicles of any type be parked or stored on any part of a Lot not improved for that purpose (i.e., a garage, driveway or parking pad), nor shall more than three (3) vehicles of any type be parked or stored on any part of a Lot visible from the street rights of way within the Property (i.e., driveway or parking pad), excepting occasional overflow parking for guests or other reasonable purposes provided that no inconvenience is imposed on the Owners of other Lots. No repairs to or maintenance of any automobile or other vehicle shall be made or performed on any driveway within the Property, except in the case of emergency and except as may be permitted by the Rules and Regulations.

An Owner shall not park any vehicle in any undesignated portion of the Sub-Association Common Area or overnight on the street rights-of-way within the Property. Parking in any Sub-Association Common Area facility parking lot shall be limited to the hours of operation of such facility. Owners and their guests shall be subject to sanctions if the parking regulations are violated. Sanctions may include reasonable monetary fines not to exceed \$150.00 per day and suspension of the right to vote and to use any recreational facilities within the Sub-Association Common Area after Notice and Opportunity for Hearing. In addition, the Association, through the Board, after Notice and Opportunity for Hearing, shall have the right to exercise self-help to cure violations, including the towing of vehicles at the Owner's expense.

7.04. Signs and Curtains. No Owner shall place on or about any window any metallic foil or other coating, substance or material which similarly acts as a reflector of light nor shall an Owner place newspapers or bed sheets in any window. All curtains, blinds and window treatments shall be approved by the Architectural Control Committee. No Owner shall display, hang, store or exhibit any signs outside of the dwelling on any Lot or in any dwelling so as to be visible from outside the Lot, other than as may be permitted by the Rules and Regulations. Notwithstanding the foregoing, one sign of customary and reasonable dimensions, conforming to such reasonable standard as may be adopted by the Board, advertising a Lot for sale or rent may be placed by the Owner on his or her Lot in such manner that it will be visible from outside the Lot. The prohibitions in this Section shall not apply to Declarant or Builder or their agents, who may erect such signs as Declarant deems desirable to promote the sale of Lots.

7.05. Antennas. As provided in Article 13, except for such as are covered by, and installed in strict compliance with, the requirements of the Telecommunications Act of 1996, as amended, no Owner shall construct, install, erect or maintain any outside television or radio pole or receiving antenna, including a satellite dish antenna, and no outdoor antenna or satellite dish may be erected or installed by an Owner or permitted by an Owner to remain on his or her Lot, without the express written approval of the Architectural Control Committee.

7.06. Laundry. No drying or airing of any clothing or bedding shall be permitted outdoors on any Lot and no clothes hanging devices such as lines, reels, poles, frames, etc. shall be stored or kept outdoors on any Lot.

7.07. Fences and Shrubbery. No fence or wall shall be erected upon any Lot unless plans therefor have been approved, in advance, by the Architectural Control Committee pursuant to the provisions of Article 13. In addition, no fence or wall shall be erected on any Lot closer to the street than the line formed by the exterior face of the rear wall of the dwelling, extended from the rear corners thereof to each of the side lot lines of the Lot, or the side street setback line of the Lot, as the case may be; except that, temporary decorative fencing may be installed by the builder of a model home and soil erosion silt fences may be permitted on the Property by the Association or the Declarant. Notwithstanding the foregoing, in the case of a dwelling having a side service entrance, fencing may be erected on the service entrance side of said Lot along a line three feet to the front of such entrance from the dwelling to the side Lot line (or side street setback, if applicable) and similarly placed on the opposite side of the dwelling. No fence or wall erected on any Lot may exceed five (5) feet in height. No fence or wall shall have more than eighty percent (80%) of any of its surface closed as viewed from a point on a line of sight perpendicular to the line formed by the line of the fence. Chain link fencing is expressly prohibited. No hedge, shrubbery, or other planting, nor other plant screening shall be installed on any Lot except with the prior written permission of the Architectural Control Committee.

7.08. Pets.

(a) No animals shall be raised, bred or kept on any Lot or the Sub-Association Common Area, except that dogs, cats, or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes. The number of household pets generally considered to be outdoor pets, such as dogs, cats, et cetera, shall not exceed three (3) in number except for newborn offspring of such household pets which are under nine (9) months of age. No animal shall be allowed if such animal constitutes an unreasonable annoyance, inconvenience or nuisance to any other Owner. If the Board receives any complaint that an animal constitutes an unreasonable annoyance, inconvenience or nuisance, including, but not limited to a complaint that an Owner's animal is being neglected, improperly treated, or not properly restrained upon such Owners Lot, or if upon Sub-Association Common Area, not properly leashed, the Board shall afford the Owner of such animal Notice and Opportunity for Hearing, and if the Board finds that such animal constitutes an unreasonable annoyance, inconvenience or nuisance, the Board may require that such animal be removed from the Property. Any time that an animal is outside, it must be on a leash and accompanied by the Owner, or some other person. Animals shall not be left unattended outside even when chained or contained inside a fence. At no time shall animals be allowed to be chained or tied in the Sub-Association Common Area. Each Owner shall also be responsible for cleaning up the feces of its animals both on its Lot and on the Property.

(b) The Board may adopt Rules and Regulations concerning animals which are more restrictive than the provisions of this Declaration, including (if not already mandated by applicable laws of the City) rules requiring that all animals be kept on a leash when in the Sub-Association Common Area and/or that animals be restricted to designated areas within the Sub-Association Common Area. The Board may adopt a rule prohibiting certain pets, which is more restrictive than the provisions of this Declaration, except that such rule shall not apply to animals residing on the Property at the time such rule is adopted. In any event, the Board at any time may require that any animal found to be an unreasonable annoyance, inconvenience or nuisance be removed as provided in Section 7.08(a).

7.09. Trash and Vegetation. No trash, rubbish, garbage or other waste material shall be kept or permitted upon any Lot or the Sub-Association Common Area, except in sanitary containers located in a garage or, if there is no garage, in an appropriate area screened and concealed from view (except for the periods immediately preceding and subsequent to pick up by the applicable disposal service). No weeds, vegetation, rubbish, debris, garbage, waste materials or materials of any kind whatsoever shall be placed or permitted to accumulate on any Lot or any portion of the Property which would render it unsanitary, unsightly, offensive, or detrimental to any property in the vicinity thereof or to the occupants of any property in such vicinity, except as is temporary and incidental to the bona fide improvement or maintenance of any portion of the Property. Job site debris shall be removed from all Lots at least weekly. Grass, hedges, shrubs, vines and mass planting of any type on any Lot or any portion of the Property shall be watered at regular intervals. Trees, shrubs, vines and plants which die shall be promptly removed. No leaves, trash, garbage or other similar debris shall be burned except as permitted by the appropriate governmental authority.

7.10. Nuisance. No noxious or offensive activity shall be carried on in or upon any part of the Property nor shall anything be done thereon which may be or become an unreasonable annoyance, inconvenience or nuisance to the residents of the Property or unreasonably interfere with the quiet enjoyment of occupants of Lots. No Owner shall permit anything to be done or kept on his or her Lot which would result in the cancellation of insurance on said Lot or any other residence or any part of the Sub-Association Common Area or which would be in violation of any law.

7.11. Outbuildings Gazebo, Trampolines, Awnings, Freestanding Flagpoles and Above-Ground Pools. Except as may be permitted by the Architectural Control Committee, no Owner shall construct, install, erect or maintain upon any Lot any outbuilding, storage shed, gazebo, trampoline, swing sets, large recreational equipment, awning or freestanding flagpole (provided, flags may be displayed using a bracket or other approved device mounted to a dwelling so long as the size of the flag displayed does not exceed a standard size as same may be determined by the Architectural Control Committee). In no event shall any outbuilding, storage shed, gazebo, or trampoline be constructed on any Lot in the front or side yards, as determined by the building lines applicable to the Lot. No above-ground pools (except for wading pools no deeper than 2 feet tall and no wider than 10 feet in diameter, which shall be regulated by the Architectural Control Committee) shall be allowed or approved by the Architectural Control Committee on any Lot. Wading pools shall only be allowed during appropriate weather and must be emptied and stored when not in use.

7.12. Temporary Structures. No temporary structures shall be placed upon any portion of the Property at any time; provided, however, this restriction shall not prohibit construction trailers or shelters or sheds used by Declarant or any Builder or its contractors during the development of the Property or the construction of improvements or additions to any Lot. Tents, recreational vehicles, trailers (whether attached or unattached to the realty) may not, at any time, be used as a temporary or permanent residence or be permitted to remain on any portion of the Property.

7.13. ACC Approval of Plans and Other Prohibitions.

(a) The construction of improvements on Lots shall be completed pursuant to the Plans in accordance with Article 13. In addition, Lots shall comply with all applicable building, plumbing, electrical and other codes.

(b) All window treatments must be in keeping with the overall scheme and aesthetic of the Property. Any window treatments deemed not to be in keeping with the overall scheme and aesthetic of the Property shall be removed by the Owner in the discretion and at the direction of the ACC.

(c) No vents, pipes or other appendages may extend from the front of any dwelling on a Lot, unless screened from public view by screening material or shrubbery approved by the ACC.

(d) Any exterior air-conditioning or heating equipment added after the completion of construction must be approved by the ACC and be screened from public view by screening material or shrubbery approved by the ACC.

(e) Downspouts and gutters shall be constructed so as not to promote the erosion of the soil of any Lot; and drainage must be provided to prevent standing water on a Lot or excessive flow of water to adjoining property.

(f) Exterior lighting shall be shielded and must be directed so as not to shine directly on another Lot.

(g) All yard art (including, without limitation, any windmills, figurines, or sculptures) shall be approved by the ACC.

(h) All outdoor hanging plants shall be approved by the ACC.

(i) All furniture (including, without limitation, tables, chairs, and grills) located or stored on any porch, deck or patio shall be approved by the ACC.

7.14. Trees, and Foliage. Trees measuring two (2) inches or more in diameter at a point two (2) feet above ground level and any flowering trees or shrubs above two (2) feet in height may not be removed from the Property without the prior written approval of the ACC, unless such landscaping material is in the path of driveways and walkways located or to be located on any Lot. Excepted herefrom shall be damaged or diseased trees that threaten persons or property, which damaged or diseased trees shall be removed by the Owner.

7.15. Discharge of Firearms. Hunting and trapping of wild animals, fowl and game and the discharge of firearms and/or bows and arrows within the Property is prohibited.

7.16. Motorized Vehicles. All motorized vehicles operating within the Property must be properly muffled so as to eliminate noise which might be offensive to others. All motorized vehicles and motorized bicycles are prohibited from being used or operated anywhere other than on the streets, roads, parking lots and driveways within the Property.

7.17. Mail and Delivery Boxes. The ACC shall determine the standards and issue guidelines for the location, material, color and design for mail and newspaper boxes, if any, and the manner in which they shall be identified. All Owners must display the assigned street address on their mail boxes, or other appurtenance, pursuant to the then current regulations of the City or other appropriate governmental entity. No mailboxes nor additions nor modifications to the standard mailbox shall be allowed or approved by the Architectural Control Committee on any Lot.

7.18. Underground Storage Tanks. No underground storage tanks for natural gas, propane, chemicals, petroleum products or any other toxic product will be allowed anywhere in the Property.

7.19. Declarant's Rights. Notwithstanding anything to the contrary contained in this Article or elsewhere in this Declaration, Declarant, its agents, employees and contractors shall not be restricted or prevented by this Declaration from doing, and Declarant, its agents, employees and contractors shall have the right to do such things or take such actions as they deem necessary, advisable or convenient for completion and improvement of the Property as a residential community and for the sale, rental or other disposition of Lots in the Property. The rights of Declarant, its agents, employees and contractors shall include, without limitation:

(a) The right and easement of ingress in, over and upon the Sub-Association Common Area and any Lot for the purpose of performing on any part or parts of the Property acts deemed necessary, advisable or convenient for the completion and improvement of the Property as a residential community and for the sale, rental or other disposition of Lots;

(b) The right to erect, construct, maintain, demolish or remove structures and other improvements on any Sub-Association Common Area as they deem necessary, advisable or convenient for the completion and improvement of the Property as a residential community and for the sale, rental or other disposition of Lots; and

(c) The right to use Lots and improvements owned by Declarant or Builder as models, sales offices and contractor's offices and to construct and display promotional, informational and directional signs and other sales aids on or about any portion of the Property.

The rights reserved under this Section shall terminate one (1) year after the Completion of Sales. Amendment of this Section shall require (a) if a two-class voting structure is in effect, the vote or written consent of seventy-five percent (75%) of the Voting Power of each class of Members of the Association and the written approval of FHA if at the time of such vote FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations; or (b) if a two-class voting structure is not in effect, the vote or written consent of both seventy-five percent (75%) of the total Voting Power of the Association and of the total Voting Power of the Association residing in Members other than Declarant. Further, no amendment of this Section can be made without the written approval of Declarant.

7.20. Right to Enter. Any governmental agency, including, but not limited to the City or County, their agents and employees, shall have the right of immediate access to any Lot and to

the Sub-Association Common Area at all times if necessary for the preservation of public health, safety and welfare.

ARTICLE 8

MEMBERSHIP AND VOTING RIGHTS

8.01. Governing Body. The Association shall be the governing body for all Owners with respect to the management, administration, maintenance, repair and replacement of the Property, as provided by this Declaration and the Bylaws.

8.02. Membership. Membership in the Association shall be composed of and limited to Owners. Each Owner, including Declarant, shall automatically be a Member of the Association and entitled to vote as set forth below. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Upon termination of ownership, an Owner's membership shall automatically terminate and be automatically transferred to the new Owner of the Lot.

8.03. Voting. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of Declarant and Builder; provided, however, that Declarant and Builder shall become Class A Members when their Class B membership ceases as provided hereinafter. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an ownership interest in any Lot, 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. 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.

Class B. Class B Member shall be Declarant and Builder which shall be entitled to three (3) votes for each Lot owned; provided that Declarant's and Builder's Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (a) when the total votes outstanding in the Class A membership equals the total votes outstanding in Class B membership; provided, however, and anything herein to the contrary notwithstanding, if at any time before ten (10) years after the first Lot is conveyed to an Owner for use as a residence, the Class B membership terminates for the foregoing reason and thereafter Declarant, pursuant to this Declaration, annexes Additional Property to the Declaration such that, following such annexation, if votes are allocated to the Lots owned by the Declarant and Builder at the rate of three (3) votes per Lot, Declarant's and Builder's total outstanding votes would exceed the total outstanding votes of the Class A Members, the Class B membership shall be reinstated until such time as it again terminates due to one of the events of termination stated herein, without limitation on the number of times the Class B membership may terminate and be reinstated in accordance with this provision; or
- (b) ten (10) years after the first Lot is conveyed to an Owner for use as a residence.

8.04. Commencement of Voting Rights. Voting rights attributable to an ownership interest shall not vest until the assessment against that interest has been levied by the Association as provided in Article 9; provided, however, that voting rights shall be immediately vested with respect to the approval of any amendments to this Declaration.

8.05. Declarant's Voting Rights. Declarant shall have the right to cast votes attributable to Lots owned by Declarant on all matters submitted to a vote of the Members.

8.06. Control by Declarant. Notwithstanding any other language or provision to the contrary in this Declaration, in the Articles, or in the Bylaws, Declarant hereby retains the right to appoint and remove any person, whether or not an Owner, on the Board of Directors of the Association and any officer or officers of the Association until ninety (90) days after the first of the events to transpire outlined in Section 8.03 above concerning the termination of the Class B Member status of Declarant or the surrender by Declarant of the authority to appoint and remove directors and officers by an express amendment to this Declaration executed and recorded by Declarant. Upon the expiration of the period of Declarant's right to appoint and remove directors and officers of the Association pursuant to the provisions of this Section, such right shall automatically pass to the Owners, including Declarant if it then own one or more Lots; and a special meeting of the Association shall be called for and held within ninety (90) days from the date of the expiration of Declarant's rights hereunder. At such special meeting the Owners shall elect a new Board of Directors which shall undertake the responsibilities of running the Association and Declarant shall deliver the books, accounts, and records, if any, which it has kept on behalf of the Association as well as any agreements or contracts executed by or on behalf of the Association which may still be in effect or operation. Each Owner by acceptance of a deed to or other conveyance of a Lot vests in Declarant such authority to appoint and remove directors and officers of the Association as provided in this Section.

ARTICLE 9

COVENANTS FOR ASSESSMENTS

9.01. Covenant to Pay Assessments; Lien. Declarant, for each Lot owned by Declarant, hereby covenants to pay, and every Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees to pay, to the Association such regular annual assessments or charges and such special assessments or charges as may be levied by the Association pursuant to the provisions of this Declaration. The amount of any such annual or special assessment plus any other charges thereon, such as interest, late charges and costs (including attorneys' fees), as such may be provided in this Declaration, shall be and become a lien upon the Lot assessed when the Association causes to be recorded in the official records of the County a notice of assessment, which notice shall state:

- (a) The amount of such assessment and such other charges thereon as may be authorized by this declaration.
- (b) A description of the Lot against which the same has been assessed; and
- (c) The name of the record owner of the Lot assessed.

Such notice shall be signed by an authorized representative of the Association. Upon payment of such assessment and charges in connection with which such notice has been so recorded, or other satisfaction thereof, the Association, at the Owner's cost and expense, shall cause to be

recorded a further notice stating the satisfaction and the release of the lien thereof. The lien provided for herein shall be prior to all other liens recorded subsequent to the recordation of such notice of assessment. The lien may be enforced by foreclosure in accordance with North Carolina law, or in any other manner permitted by law. The Association shall have power to purchase the Lot at a foreclosure sale and to hold, lease, mortgage and convey the same.

9.02. Personal Obligation. Each regular annual or special assessment, together with any late charges, interest, collection costs and reasonable attorneys' fees, shall be the personal obligation of each person or entity, other than any Mortgagee, who held an ownership interest in the Lot at the time such assessment was levied. If more than one Person held an ownership interest in the Lot at such time, the personal obligation to pay such assessment or installment respecting such Lot shall be both joint and several. No Owner may exempt himself or herself from payment of assessments, or installments, by waiver of the use or non-use of common facilities within the area or of any other portion of the Sub-Association Common Area or by abandonment or leasing of his or her Lot.

9.03. Use of Assessments. Regular annual or special assessments paid by Declarant and other Owners shall be used to pay for operation, maintenance, preservation, enhancement, repair and improvement of the Sub-Association Common Area and of the exterior of the dwellings and Lot improvements which the Association is required to maintain under Article 6, for maintenance of any easements not located on the Sub-Association Common Area that the Association is required to maintain, for any maintenance required of the Association pursuant to encroachment agreements with the City of Raleigh, to make lease payments on all leased street lights located within public street rights-of-way within the Property, to pay premiums on all insurance maintained by the Association, and for other purposes reasonably related to the foregoing, and to promote the recreation, health, safety and welfare of the Owners. In addition, such assessments shall be used to pay the cost of administration of the affairs of the Association, including payment of applicable taxes, and for the preservation of the Association's existence, to the extent properly allocable to the performance and exercise of the Association's duties and powers under this Declaration. The foregoing is intended as an authorization of the Association and shall not be construed to require expenditure of Association funds for any particular purpose.

9.04. Reserve Funds. In the initial budget of the Association, the Board shall establish reserves in accordance with standard accounting practices and procedures for Sub-Association Common Area replacements and maintenance, maintenance and replacement of the exterior of the dwellings and Lot improvements that the Association is required to maintain under Article 6. Each budget subsequently adopted by the Board shall provide for funds to be placed in reserves in the discretion of the Board unless a different level of reserves is approved by the vote or written consent of a majority of the Voting Power of (a) if a two-class voting structure is in effect, by the vote or written consent of a majority of the Voting Power of each class of Members or (b) if a two-class voting structure is not in effect, by the vote or written consent of a majority of the total Voting Power of the Association. Funds deposited in reserve for a particular purpose shall be held for that purpose and shall not be expended for any other purpose without (i) if a two-class voting structure is in effect, the vote or written consent of a majority of the Voting Power of each class of Members, or (ii) if a two-class voting structure is not in effect, the vote or written consent of a majority of the total Voting Power of the Association, except that if the Board determines that funds held in reserve for a particular purpose exceed an amount reasonably required as a prudent reserve for that purpose, then, without the vote or written consent of Members, the excess may be allocated to any other reserve fund established by the initial budget

of the Association and expended for the purpose for which such other reserve fund has been established.

9.05. Regular Assessments.

- (a) The regular annual assessment for each Lot for the first assessment year shall be as follows: A maximum of \$960.00 per Lot owned by a Class A Member, and \$320.00 per Lot owned by a Class B Member; provided, however, that if the first assessment year shall have fewer than twelve months, the foregoing amounts shall be proportionately reduced. The Board shall adopt a proposed budget and fix the amount of the regular annual assessment as to each Lot for each subsequent calendar year at least thirty (30) days prior to January 1 of such calendar year. The ratio of the assessment established for Lots owned by Class A Members to the assessment established for Lots owned by Class B Members shall be three (3) to one (1). The Association shall send written notice of the amount of the regular annual assessment and a summary of the proposed budget, as well as the amount of the payment due, to each Owner within thirty (30) days after the adoption by the Board of such budget. To the extent required by North Carolina General Statutes 47F-3-103(c) or other applicable law, such notice shall include notice of a meeting of the Members to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. If such a meeting is required by N.C. General Statutes 47F-3-103(c), or other applicable law, the Board shall set a date for a meeting of the Members to consider ratification of the budget to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. If such meeting is required as set forth above, there shall be no requirement that a quorum be present at the meeting. If the proposed budget to be voted on at any such meeting is within the maximum increase limits set forth in subsection (b) below, the budget is ratified unless at such meeting Members exercising all of the Voting Power in the Association reject the budget. If the proposed budget to be voted on at any such meeting exceeds the maximum increase limits set forth in subsection (b) below, the budget is ratified unless at such meeting Members exercising a majority of the Voting Power in the Association reject the budget. The failure of the Association to send, or of a Member to receive, such notice shall not relieve any Member of the obligation to pay Annual Assessments.
- (b) For years following the year in which the initial conveyance of all or a part of the Sub-Association Common Area occurs and thereafter, the Board, by a vote in accordance with the Bylaws, without a vote of the Members (unless required under N.C. General Statute 47F3-103(c) or other applicable law, in which case the procedures set forth in subsection [a] above shall apply), may increase the regular annual assessment each year by a maximum amount equal to the previous years regular annual assessment times the greater of (i) ten percent (10%) or (ii) the annual percentage increase in the CPI for the most recent 12-month period for which the CPI is available. If the CPI is discontinued, then the index most similar to the CPI (published by the United States Government indicating changes in the cost of living) shall be used.

- (c) From and after the first year of regular annual assessments, the maximum annual assessment may be increased above the maximum amount set forth above by a vote of a majority of the Voting Power, plus the written consent of Declarant (so long as Declarant owns any part of the Property).
- (d) The Board may fix the regular annual assessment at an amount not in excess of the maximum set forth above (the "Maximum Annual Assessment"), subject to the procedures set forth in subsection (a) above if applicable. If the Board shall levy less than the Maximum Annual Assessment for any calendar year and thereafter, during such calendar year, determine that the important and essential functions of the Association cannot be funded by such lesser assessment, the Board may, by vote in accordance with the Bylaws, levy a supplemental annual assessment ("Supplemental Annual Assessment"), subject to the procedures set forth in subsection (a) above, if applicable. In no event shall the sum of the regular annual and Supplemental Annual Assessments for any year exceed the applicable Maximum Annual Assessment for such year other than as set forth herein.

9.06. Special Assessments. In addition to the regular annual assessments authorized herein, the Board may levy, in any assessment year, a special assessment against all Owners applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of capital improvements and related fixtures and personal property on or comprising a part of the Sub-Association Common Area or in connection with the exterior maintenance of improvements constructed on Lots; provided, however, any such assessment shall be in the ratio of three (3) to one (1) for Lots owned by Class A Members and Class B Members, respectively, as provided in Section 9.05 above, and further provided in any fiscal year, special assessments which exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year may not be levied without (a) if a two-class voting structure is in effect, the vote or written consent of sixty-seven percent (67%) of the Voting Power of each class of Members of the Association or (b) if a two-class voting structure is not in effect, the vote or written consent of sixty-seven percent (67%) of both the Voting Power of the Association and the Voting Power of the Association residing in Members other than Declarant.

9.07. Assessment as Remedy. After Notice and Opportunity for Hearing, the Board, without the vote or written consent of Members, may levy a special assessment against an Owner as a remedy to reimburse the Association for costs (including attorneys' fees) incurred in bringing the Owner, his or her Lot or his or her residence into compliance with the provisions of this Declaration, the Bylaws or the Rules and Regulations.

9.08. Allocation of Assessments. All regular and special assessments shall be levied equally against all Owners, except:

- (a) regular assessments levied on Lots owned by a Class A Member shall be a maximum of \$960.00 per annum for the first assessment year, and regular assessments levied on Lots owned by a Class B Member shall be a maximum of \$360.00 per annum for the first assessment year;

- (b) the ratio of the regular assessment established for Lots owned by Class A Members to the assessment established for Lots owned by Class B Members for all subsequent years shall be three (3) to one (1); and
- (c) special assessments shall be in the ratio of three (3) to one (1) for Lots owned by Class A Members and Class B Members, respectively.

9.09. Commencement of Assessments. The regular annual assessments provided for herein shall commence as to all Lots in Edgewater Townhomes on the first day of the month next following the first conveyance of a Lot improved with a dwelling to a purchaser (other than a successor Declarant) for use as a residence. The first assessment year shall be the period commencing on the date regular annual assessments commence and ending on the December 31 next following. The regular annual assessment for the first assessment year shall be prorated from the amounts fixed by the Board for a full twelve-month year, based on the number of months to be contained in the first assessment year. Subsequent assessment years shall be each successive calendar year; provided, however, that at any time the Board may change the assessment year to correspond to a fiscal year selected by the Board. Assessments of Lots within each Phase of the Property which is annexed in accordance with the provisions of Article 15 below shall commence on the first day of the month next following the conveyance of the first Lot improved with a dwelling to a purchaser (other than a successor Declarant) for use as a residence.

9.10. Revised Assessments. Subject to the provisions of Section 9.05, if at any time during the course of any year the Board shall deem the amount of the regular annual assessment to be inadequate or over adequate by reason of a revision of its estimate of either expenses or income or otherwise, the Board shall have the right, at a regular or special meeting, to revise the regular annual assessment for the balance of the assessment year. Any such revised assessment shall become effective on the first day of the month next following the date of adoption, and additional amounts payable shall be due (or refunds of overages shall be made by the Association) at such time as determined by the Board.

9.11. Delinquent Assessments; Fines. Any assessment not paid within ten (10) days after the due date shall be delinquent. The Board may require that any delinquent assessment bear a late charge to cover administrative expenses incurred as a result of the late payment of the assessment. Late charges on delinquent assessments and fines levied as provided in Section 4.13 may be imposed in an amount not to exceed \$25.00 per day (or such greater amount as may be permitted by the Act and approved by the Board) for each day that the violation continues. The Association may bring a legal action against the Owner personally obligated to pay a delinquent assessment or fine and, after Notice and Opportunity for Hearing, the Association may suspend a delinquent Owner's membership rights in the Association while the assessment or fine remains unpaid. In any legal action to enforce payment of an assessment or fine, the Association shall be entitled to recover interest, costs and reasonable attorneys' fees.

9.12. Declarant's Option to Fund Budget Deficits. To the extent permitted by North Carolina law, during the period of Declarant control described in Section 8.06, Declarant may satisfy the obligation for regular assessments on Lots which it owns either by paying regular assessments in the same manner as any other Owner as described in Section 9.08 or by funding the budget deficit. The budget deficit is the difference between the amount of regular

assessments levied on Class A Member-owned Lots, plus any other income received during the calendar year, and the amount of the Association's actual expenditures during the calendar year, including reserve contributions

In the event Declarant elects to pay assessments in the same manner as any other Owner as described in Section 9.08, and a deficit results, the Association, and not Declarant, shall be responsible for such deficit and its funding.

Regardless of Declarant's election, Declarant's assessment obligations may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of Declarant control described in Section 8.06, Declarant shall pay assessments on Lots which it owns in the same manner as any other Owner as described in Section 9.08.

If Declarant elects to fund the budget deficit, such obligation, together with interest thereon and costs of collections, including, but not limited to, reasonable attorneys' 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 in the official records of the County of a notice of assessment in accordance with Section 9.01. Upon full payment of all sums secured by any such lien, Declarant shall be entitled to a satisfaction of the notice of assessment in recordable form in accordance with Section 9.01.

9.13. Working Capital Fund. At the time of closing of the initial sale of a dwelling constructed on a Lot, a sum equal to one-sixth (1/6) of the annual assessment for a Class A Lot shall be collected from the purchaser and transferred to the Association to be held as a working capital fund. The purpose of said fund is to insure that the Association will have adequate cash available to meet unforeseen expenses, and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund shall not be considered advance payment of regular assessments.

9.14. Exempt Property. The following property subject to this Declaration shall be exempt from all assessments, charges and liens created herein:

- (a) Sub-Association Common Area as defined in Article 1 of this Declaration;
- (b) Limited Sub-Association Common Area as defined in Section 4.09 of this Declaration; and
- (c) all properties exempt from taxation by the laws of the State of North Carolina upon the terms and to the extent of such legal exemption (provided homestead exemptions, if any, shall not be considered an exemption).

Notwithstanding any provisions of this Section 9.14, no Lot shall be exempt from the assessments, charges or liens created herein.

ARTICLE 10

INSURANCE

10.01 Insurance Requirements under the Act. Section 47F-3-113 of the Act requires certain insurance to be carried by the Association and provides for the distribution of insurance proceeds, requires certain provisions for property and liability insurance and governs repairs made with insurance proceeds. In the event the insurance requirements of this Article 10 conflict with, or fail to incorporate, the provisions of Sections 47F-3-113 of the Act, the provisions of the Act shall apply and govern.

10.02 Association May Provide Insurance Covering Dwellings and Owners' Liability. The Association, upon and to the extent approved by the Board of Directors, may also procure, pay for, and maintain full replacement value hazard insurance covering the cost of reconstructing Dwellings built within the Properties and sold to and owned by Members. The Premiums of such insurance, if provided by the Association, shall be a common expense of the Association, paid from the annual assessments provided in Article 9 of this Declaration, despite the fact that the insurance covers improvements owned by the Members and not by the Association. Insurance policies carried pursuant to this Section 10.02 must provide that:

- (a) Each Owner is an insured person under the policy to the extent of the Owner's insurable interest and with respect to liability arising out of his interest in the Sub-Association Common Areas or membership in the Association;
- (b) The insurer waives its right to subrogation under the policy against any Owner or members of his household;
- (c) No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will preclude recovery under the policy;
- (d) If, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the Association's policy provides primary insurance; and
- (e) The insurer agrees: (i) to issue certificates or memoranda of insurance to the Association and, upon written request, to any Owner, mortgagee, or beneficiary under a deed of trust on any part of the Property; and (ii) that the policy may not be canceled or not renewed until 30 days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each owner and each Mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

If for any reason the Association is unable or unwilling to obtain the casualty insurance coverage described in this Section, written notice that the Association is not providing such insurance shall be hand-delivered or mailed to all Owners.

10.03. Sub-Association Common Areas Insured By Association. The Association shall procure and maintain insurance coverage as follows:

- (a) Sub-Association Common Areas. All insurance policies upon the Sub-Association Common Area shall be purchased by the Association for the benefit of all the Association and the Owners and their mortgagees as their interest may appear, and provisions shall be made for the issuance of mortgagee endorsements to the mortgagees of Owners.

(b) Coverage. All buildings and improvements upon the Sub-Association Common Area and all personal property of the Association included in the Sub-Association Common Areas or otherwise owned by the Association shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:

- (i) Loss or damage by fire and other hazards, including extended coverage, vandalism and malicious mischief;
- (ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land; and
- (iii) Such policies shall contain clauses providing form waiver of subrogation.

(c) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million and No/100 Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to a single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary, including, but not limited to, directors and officers errors and omissions insurance coverage.

10.04. Insurance Provided by Association under Sections 10.02 and 10.03. The following provisions will be applicable to all insurance policies purchased by the Association under Sections 10.02 and 10.03 of this Declaration:

(a) Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association and shall be included as part of the annual assessment described in Article Nine above.

(b) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners and their mortgagees, as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association or to an Insurance Trustee under this Declaration. Any loss covered by the insurance obtained by the Association shall be adjusted with the Association, but the insurance proceeds for that loss shall be paid to the Association or to an Insurance Trustee designated for that purpose. The Association or Insurance Trustee shall hold any insurance proceeds in trust for the Association, Owners and lienholders as their interest may appear. The proceeds shall be distributed first for repair or restoration of the damaged property, and the Association, Owners and lienholders are not entitled to payment of any prortion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored. Any such surplus will be distributed as follows: If the Association designates an Insurance Trustee to receive and disburse insurance proceeds, the fees charged and costs incurred by the Insurance Trustee in performance of its duties will first be paid from the surplus and any remaining proceeds will be distributed to the Association, the Owners and the Lienholders as their interests may appear. Fees and expenses of the Insurance Trustee not paid from surplus insurance proceeds, will be paid as a common expense of the Association.

(c) Subrogation. Each insurer shall waive its right to subrogation under any policy purchased by the Association against any Owner or member of Owner's household.

(d) Act or Omission of Owner. No act or omission of any Owner, unless such Owner is acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under any policy purchased by the Association.

(e) Other Insurance. If, at the time of a loss, there is other insurance in the name of an Owner covering the same risk covered by the Association's policy, the Association's policy shall provide primary insurance.

(f) Issuance of Certificates; Cancellation. Any insurer that has issued an insurance policy to the Association shall issue certificates or memoranda of insurance to the Association and, upon written request, to any Owner or Mortgagee. Any insurer issuing an insurance policy to the Association may not cancel or refuse to renew the policy until thirty (30) days after notice of the proposed cancellation or non renewal has been mailed to the Association, each Owner and each Mortgagee to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

10.05. Insurance Provided By Owners. UNLESS INSURANCE IS PROVIDED BY THE ASSOCIATION, UNDER ITS RIGHT TO PROVIDE INSURANCE UNDER SECTION 10.02 OF THIS ARTICLE 10, each Owner shall procure and maintain fire and extended coverage insurance as follows:

(a) Coverage. Improvements upon a Lot shall be insured in an amount equal to one hundred percent (100%) insurable replacement value. Such coverage shall provide protection against:

- (i) Loss or damage by fire and other hazards, including extended coverage, vandalism and malicious mischief;
- (ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land; and
- (iii) Such policies shall contain clauses providing form waiver of subrogation.

(b) Liability. Public liability insurance shall be secured by each Owner with limits of liability of no less than Three Hundred Thousand and No/100 (\$300,000.00) Dollars per occurrence.

All such policies shall name the Association as an additional insured as its interest appears and copies of said policies and renewals thereof shall be furnished to the Association. Upon failure by any Owner to promptly obtain the required coverage, naming the Association as an additional insured, or to pay the premiums due on such policy, the Association may, but is not required to, obtain the required coverage, naming the Association as one of the additional insureds, and add the cost of the premium and all other costs of obtaining such coverage to the annual assessment against the subject Lot. Such cost shall be due and payable on or before the first day of the calendar month following payment of same by the Association.

Owners may, at their option, obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expense and such other coverage as they may desire.

10.06. Obligation to Rebuild. Any portion of the Property for which insurance is provided under Section 10.02 or required under Section 10.03 of this Article 10 which is damaged or destroyed shall be repaired or replaced promptly by the Association unless repair or replacement would be illegal under any state or local health or safety statute or ordinance. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense, and the cost thereof may be recovered by one or more special assessments levied by the Board equally against all Owners. If any portion of the Sub-Association Common Area is not repaired or replaced, (i) the insurance proceeds attributable to the damaged Sub-Association Common Areas shall be used to restore the damaged area to a condition compatible with the remainder of the Property, and (ii) the remainder of the proceeds shall be distributed to all the Owners or lien holders, as their interests may appear.

Any portion of the Property for which insurance is required under Section 10.05 of Article 10 shall be promptly and diligently repaired, replaced, and restored by the Owner thereof, unless (i) this Declaration is terminated, or (ii) repair or replacement would be illegal under any state or local health or safety statute or ordinance.

ARTICLE 11

DAMAGES AND DESTRUCTION

11.01. Damage to Lots. Restoration and repair of damage to any Lot (including, in accordance with the definition of "Lot," the improvements thereon) shall be made by and at the expense of the Owner thereof, except for damage covered by insurance provided by the Association under Section 10.02.

11.02. Damage to Sub-Association Common Area. Restoration and repair of damage to any Sub-Association Common Area shall be made at the expense of the Association unless, under the provisions of Section 47F-3-113(8) of the Act, the repair or restoration is not required to be effected. If the work is to be accomplished, the Association shall promptly contract for the repair, restoration or reconstruction and, if necessary, collect from the Insurance Trustee any proceeds of insurance as received in accordance with Section 10.03. The difference, if any, between the insurance proceeds payable by reason of such repairs and the cost thereof may be recovered by one or more special assessments levied by the Board equally against all Owners.

Funds collected and held by the Insurance Trustee shall be disbursed by the Insurance Trustee for the purpose of repair, restoration or reconstruction in accordance with the terms and conditions of repair or reconstruction contract(s) between the Association and Persons engaged to perform the work. Funds from any special assessment shall be delivered to and held in trust by the Association or the Insurance Trustee and shall be held and disbursed for repair, restoration and reconstruction in the same manner as insurance proceeds. The Insurance Trustee may invest and reinvest funds held by it in a manner consistent with its duties as trustee. The Insurance Trustee shall be entitled to a reasonable fee for its services.

ARTICLE 12

EMINENT DOMAIN

12.01. Eminent Domain. Notwithstanding any provision contained herein to the contrary, in the event of a taking of all or any portion of a Lot or all any portion of the Sub-

Association Common Area by eminent domain, or by conveyance in lieu thereof, the awards paid on account thereof shall be applied in accordance with Section 47F-1-107 of the Act. If all or any portion of the Sub-Association Common Area is taken by action in eminent domain (hereinafter called a "taking"), the Association shall give written notice of the proceedings to all Owners and Mortgagees, and the condemnation award shall be fairly and equitably apportioned among the Owners, Mortgagees and the Association as provided in the Act.

12.02. Repair, Restoration, Reconstruction. If only a portion of a Sub-Association Common Area facility is taken, the Board shall promptly contract for the repair, restoration or reconstruction of the Sub-Association Common Area facility to a complete architectural unit, to the extent such repair, restoration and reconstruction is reasonably necessary and practical. If the cost of repair, restoration and reconstruction of the Sub-Association Common Area exceeds the amount awarded by the court for such purposes, the difference may be recovered by a special assessment levied equally against all Owners.

ARTICLE 13

ARCHITECTURAL CONTROL

13.01. Architectural Control. No building, swimming pool, spa, statuary, flag pole, mailbox, basketball goal or other sports equipment (permanent or portable), fence, wall, gazebo, or any other structure or improvement shall be placed, erected, commenced, constructed, demolished, rebuilt or altered upon any Lot or attached or affixed to any improvement upon any Lot or upon the Sub-Association Common Area nor shall any exterior addition to or change or alteration of a residence building be made, including, but not limited to, additions or alterations to any deck, fence, wall, driveway, or patio, plating or clearing and cutting of trees, color or painting of the exterior (other than maintenance to and touch-up painting to preserve the original exterior paint) or change of the type of exterior finish, the installation of antennas, satellite dishes, flags or awnings or the addition of any exterior attachment (such as a storm door) until an application, including plans and specifications showing the nature, kind, shape, height, materials, finishes, colors and location of the same (including floor plans and elevations) (the "Plans"), shall have been submitted in triplicate to and approved in writing by the Architectural Control Committee; provided, however, that no such approval shall be required for alterations solely to the interior of any residential structure. The Board may require a reasonable fee to accompany each application for approval. The Architectural Control Committee shall have the absolute and exclusive right to approve or disapprove Plans in its sole discretion and may approve or disapprove Plans based on purely aesthetic reasons, which in the sole discretion of the Architectural Control Committee shall be deemed sufficient. Absent an approval from the Architectural Control Committee the proposed alteration or improvement may not be commenced. THE RESTRICTIONS HEREIN CONTAINED SHALL HAVE NO APPLICATION TO THE DEVELOPMENT, IMPROVEMENT, MAINTENANCE AND REPAIR OF THE PROPERTY BY DECLARANT OR BY THE ASSOCIATION, AND NEITHER THE BOARD NOR THE ARCHITECTURAL CONTROL COMMITTEE SHALL HAVE ANY POWER OR AUTHORITY TO REVIEW OR REQUIRE MODIFICATIONS TO THE PLANS FOR CONSTRUCTION OR INSTALLATION OF IMPROVEMENTS BY DECLARANT.

The installation of antennae and of satellite dishes or disks shall be permitted on a Lot if accomplished in strict compliance with the limitations and conditions imposed by the

Telecommunications Act of 1996, as amended from time to time, but no antenna or disk which is in any dimension larger than prescribed by the Telecommunications Act of 1996 or which is not installed in accordance with the advance notice requirements and location guidelines of the Telecommunications Act of 1996 may be installed or maintained on any Lot except with the prior written approval of the Architectural Control Committee.

13.02. Architectural Control Committee.

(a) Membership Right of Declarant to Act as ACC with Respect to Initial Construction.

(i) The Architectural Control Committee shall be composed of three (3) persons (who need not be Members of the Association) appointed by the Board. A majority of the Architectural Control Committee may designate a representative to act for it. In the event of death, resignation, or removal by the Board of any member of the ACC, the Board shall have full authority to designate a successor. Unless otherwise approved by the Association, neither the members of the ACC nor its designated representative shall be entitled to any compensation for services performed pursuant to this Section. The Association shall keep, or cause to be kept, a list of the names and addresses of the persons who form the ACC and a list of the names and addresses of any designated representatives of the ACC, and such a list shall be available in the principal office of the Association to any Owner upon request.

(ii) Notwithstanding the foregoing, as to the initial construction of improvements on any Lot (the "Initial Construction of Improvements"), the Declarant shall serve as the Architectural Control Committee responsible for the review, approval, and monitoring of construction of improvements. Any requests for modifications or alterations of improvements in fact constructed on a Lot or for the construction of additional improvements on a Lot shall be the responsibility of the Architectural Control Committee, which need not be the Declarant if it so directs, but, if not the Declarant, Declarant shall have the right to approve or disapprove any decisions made by the ACC upon fifteen (15) days written notice to the ACC and the applicable Owner following the thirty (30) day period for the Architectural Control Committee's decision. The rights of the Declarant pursuant to this section shall cease one year following the Completion of Sales. Prior to the Completion of Sales, the Declarant may at any time relinquish, either temporarily or permanently, its rights to review, approve and monitor the Initial Construction of Improvements.

(b) Procedure. Unless part or all of the time period is waived by the ACC, at least sixty (60) days prior to the commencement of any construction on a Lot, the Plans for such Lot shall be submitted to the ACC. Approval shall be subject to such regulations and architectural standards as may from time to time be promulgated by the ACC. Within thirty (30) days after receipt of the Plans and any other requested information, the Architectural Control Committee shall notify the Owner of the Lot in writing as to whether the Plans have been approved. Unless a response is given by the ACC within thirty (30) days from receipt of all required information, the Plans shall be deemed approved. The response of the Architectural Control Committee may be an approval, a denial, an approval with conditions or a request for additional information. A request for additional information shall be deemed a determination that the information submitted was inadequate, and the thirty (30) day time period for further ACC response shall only commence upon receipt of the requested additional information. No construction shall be commenced until either the fifteen (15) day time period for Declarant's approval has passed or Owner has received

Declarant's approval if the ACC is not the Declarant and Declarant still has the rights as outlined in 13.02(a)(ii) above. If an approval with conditions is granted and construction then begins, the conditions shall be deemed accepted by the Owner of the Lot, and the conditions imposed shall become a part of the approved Plans. No improvements shall be constructed except in strict conformity with the approved Plans. The ACC shall have the right to monitor construction of improvements and investigate compliance with the approved Plans and is hereby granted the right to enter upon any Lot in order to do so.

Any Owner who submits Plans to the ACC and disagrees with the finding of the ACC may appeal the decision to the Board by giving written notice of appeal to the President of the Association within fifteen (15) days following its receipt of notice of denial. The Board shall review the Plans and hold a meeting to hear the case with the Owner and the ACC or its representative. At such meeting the ACC or its representative shall present to the Board specific reasons why the Plans were denied, and the Owner or his agent may present information challenging the findings of the ACC. The decision of the ACC shall only be overridden by a majority vote of the Board. Notwithstanding the foregoing, an Owner shall have no right to appeal decisions by the Declarant acting as the ACC with respect to the Initial Construction of Improvements or to approvals by the ACC which are disapproved by the Declarant pursuant to Section 13.02(a)(ii).

The Association may adopt a schedule of reasonable fees for processing requests for approval. Such fees will be payable to the Association at the time that the Plans and related documents are submitted to the ACC. The ACC shall have the right, exercisable in its sole discretion, to procure the services of a consultant of its own choosing for purposes of assisting the ACC in its review of any Plans, and the cost of such consulting service(s) shall be the responsibility of the respective applicant or Owner of the subject Lot and shall be in addition to any fees due for processing any requests for approval.

All notices required to be given under this Section 13.03(b) shall be given in writing and delivered by hand, mailed with prepaid postage or deposited with an overnight carrier (e.g. Federal Express, UPS, etc.). If the ACC denies an application, the ACC shall specify the particular grounds upon which denial of such application is based. If the ACC approves the application, one set of Plans, marked approved (or approved with specified conditions), shall be retained by the ACC, and the remaining two sets of Plans shall be returned to the applicant.

13.03. Landscape Plan; Landscaping. As part of the Plans package submitted by an Owner to the ACC for approval of the Initial Construction of Improvements or any improvements thereafter, there shall be included a comprehensive landscape plan (the "Landscape Plan"). Shown thereon, in addition to the scheme for decorative plantings, shall be all of the planned site improvements and modifications, including, but not limited to, major topographic changes and plans for revegetation and restabilization thereof, the specifications for all terraces, walkways, driveways, paths, fences, bulkheading, walls, pools, outdoor lighting and for other fixtures and structures to be constructed as part of the Landscape Plan.

The Landscape Plan shall unite the Lot as well as all other structural aspects of the landscape with its setting and shall provide for the introduction of plant materials of reasonable size and quantity to create (when first installed) a mature landscape scene.

Each Lot shall be maintained consistently with the Landscape Plan approved for it by the ACC. All material changes to the Landscape Plan or the landscaping installed on a Lot shall be

first approved by the ACC. The ACC shall have the authority to create additional landscaping guidelines applicable to the Property.

13.04 Maintenance of Construction Activities. During the construction of any improvement to a Lot, the Lot, roads, landscaping and Sub-Association Common Areas or Limited Sub-Association Common Areas adjacent thereto shall be kept in a neat and orderly condition, free from any dirt, mud, garbage, trash, or other debris, so as not to cause an unsightly condition to exist or damage to occur. Any damage to the street, curb, sidewalk or to any part of any Sub-Association Common Areas, Limited Sub-Association Common Areas or utility system caused by an Owner or an Owner's builder shall be repaired by such Owner. Owners and their agents and employees shall adhere to the construction standards promulgated from time to time by the Association.

In the event the Owner or his agent, employee or contractor shall fail to maintain the Lot and adjoining areas, as specified herein, or damage occurs and such failure continues or damage remains unrepaired for seven (7) days following delivery of written notice thereof from Declarant or the Association, Declarant or the Association shall have the right, exercisable in its sole discretion, to summarily abate any unsightly conditions, make needed repairs, and to remove any rubbish, refuse, unsightly debris and/or growths from the Lot and adjoining area. In the event the Declarant or the Association, after such notice, causes the subject work to be done, the costs of such shall be reimbursed by the Owner to the Association and will become a continuing lien on the Lot until paid.

13.05. Timely Completion. When construction of any Lot, structure, improvement, or addition thereto has begun, work thereon shall be prosecuted diligently and continuously until the full completion thereof. It is a requirement that Lots under construction in the Property be "dried-in" with exterior finishes installed (roofing, windows and finish siding and trim in place) within one hundred twenty (120) days of the commencement of construction and that all phases of work, including execution of the Landscape Plan, be complete within six (6) months of the commencement of construction. In the event that completion is delayed beyond one year from the date of commencement of construction and provided the Owner is notified within thirty (30) days of the expiration of the one year construction period, the ACC may, upon unanimous vote of the committee, rescind the original approval and require that the Owner resubmit Plans for approval.

13.06. Reconstruction of Residences. If the Association does not provide insurance under Section 10.02 of Article 10, then in the event of damage or destruction to a residence by fire or other casualty, the Owner shall within four (4) months diligently commence to reconstruct such residence as soon as reasonably possible and substantially in accordance with the original Plans; provided, however, that such residence shall be restored so that the exterior appearances thereof substantially resemble their appearances in form and in color prior to such damage or destruction. Notwithstanding the foregoing, however, any Owner of a damaged residence may request permission from the ACC to reconstruct or repair his or her residence in accordance with revisions in the Plans. The ACC shall grant such requests only in the event that the proposed change or deviation will materially benefit and enhance the entire Property in a manner generally consistent with the plan and development thereof.

13.07. Limitation of Liability. Review and approval of any application pursuant to this Article 13 is made on the basis of aesthetic considerations only and the ACC shall not bear any

responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board, the ACC, or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot.

13.08. Enforcement. Any construction, alteration, or other work done in violation of this Article 13 shall be deemed to be nonconforming. Upon written request from the Board, the ACC or the Declarant, Owners shall, at their own cost and expense, remove such construction, alteration, or other work and shall restore the land to substantially the same condition as existed prior to the construction, alteration, or other work. Should an Owner fail to remove and restore as required hereunder, the Board or its designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as existed prior to the construction, alteration or other work. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the nonconforming Lot and collected as a special assessment pursuant to Section 9.07 hereof.

Any contractor, subcontractor, agent, employee, or other permittee of an Owner who fails to comply with the terms and provisions of this Article may be excluded by the Board from the Property. In such event, neither the Association, its officers, or directors shall be held liable to any person for exercising the rights granted by this Section 13.08.

In addition to the foregoing, the Board shall have the authority and standing, on behalf of the Association, to pursue all legal and equitable remedies available to enforce the provisions of this Article 13 and the decisions of the ACC.

ARTICLE 14

MORTGAGEE PROTECTION

14.01. Interpretation. In the event any provision of this Article 14 is inconsistent with or contrary to any other provision of this Declaration, the provisions of this Article 14 shall control.

14.02. Notices. Any Mortgagee of any Lot, by written notice to the Association setting forth the Lot encumbered, the Owner thereof and the address to which notices may be sent, may request and thereby be entitled to receive written notice from the Association of (a) any default which is outstanding for sixty (60) days or longer by the Owner of such Lot in the performance of his or her obligations under or in compliance with the provisions of this Declaration, the Bylaws or the Rules and Regulations, (b) any substantial damage to or destruction of the Sub-Association Common Area, including the improvements located thereon, or, if known to the Association, any substantial damage to or destruction of a Lot, including the improvements located thereon, and (c) any proposed or threatened taking by power of eminent domain of the Sub-Association Common Area or any portion thereof or of any Lot or portion thereof.

14.03. Mortgagee's Right to Information. Upon written request to the Association, a Mortgagee is entitled to: (a) inspect the books and records of the Association during normal business hours; (b) receive an annual financial statement of the Association within ninety (90) days following the end of any fiscal year of the Property, and (c) receive written notice of all meetings of the Association and to designate a representative to attend all such meetings.

14.04. Damage and Destruction Rights. In the event of substantial damage to or destruction of any Lot or improvements to a Lot or any part of the Sub-Association Common Area no provision of any document establishing the Property shall entitle the Owner of a Lot or other party to priority over such Mortgagee with respect to the distribution to such Owner of any insurance proceeds.

14.05. Condemnation Rights. If any Lot or portion thereof or the Sub-Association Common Area or any portion thereof is made the subject matter of any condemnation proceedings or is otherwise sought to be acquired by a condemning authority, no provision of any document establishing the Property shall entitle the Owner of a Lot or other party to priority over such Mortgagee with respect to the distribution to such Owner of the proceeds of any award or settlement.

14.06. Right of First Refusal. Any right given by an Owner of a Lot to any third person to purchase such Lot before it is offered for sale or sold to any other person (such right commonly known as a "right of first refusal") shall not be binding upon or enforceable against any Mortgagee acquiring such Lot pursuant to exercise of remedies provided for in the Mortgage, including foreclosure by judicial action or exercise of a power of sale, or by acceptance of a deed or assignment in lieu of foreclosure.

14.07. Subordination. No provisions contained in this Declaration shall defeat or render invalid the lien of any Mortgage which is made in good faith and for value. The lien of the assessments provided for herein shall be subordinate to the lien of any Mortgage recorded prior to the date any such assessment becomes due. This subordination shall apply only to assessments on a Lot which have become due and payable prior to a sale or transfer of such Lot pursuant to a decree of foreclosure or exercise of power of sale. Any Mortgagee who acquires title to or comes into possession of a Lot pursuant to exercise of remedies provided for in the Mortgage, including foreclosure by judicial action or exercise of a power of sale, and any purchaser at a foreclosure sale, shall take the Lot free of any claims for unpaid assessments or charges against the Lot which have accrued prior to the time such Mortgagee or purchaser acquires title to or comes into possession of the Lot; provided, however, this exception shall not be applicable to any claim for assessments or charges levied by the Association against all Lots for the purpose of recovering any revenue lost by reason of the nonpayment of past due assessments upon such Lot; and provided further, that except as otherwise provided in this Section, all of the limitations, restrictions, covenants, conditions, easements, liens, charges, assessments, and equitable servitudes contained herein shall be binding upon any Owner whose title is derived through foreclosure sale, trustee's sale or otherwise. Except as provided above, the sale, transfer or conveyance of title to a Lot shall not relieve a selling Owner from personal liability for any assessments which became due and payable prior to such sale, transfer or conveyance, nor relieve such Lot from a duly recorded lien for any such prior unpaid assessment.

14.08. Payments by Mortgagees. Any Mortgagee, after at least ten (10) days' prior written notification to the Association of the items to be paid and the failure of the Association within such time to make payment, may pay, alone or in conjunction with other Mortgagees, delinquent taxes, liens or assessments which may be or become a charge against the Sub-Association Common Area, or any portion thereof, and any overdue premiums on policies of fire and extended coverage insurance for the Sub-Association Common Area and in the event of a lapse of such a policy of insurance, may pay premiums to secure a new policy. In the event such

payments are made, the Mortgagee making such payment shall be entitled to immediate reimbursement from the Association to the extent of the payment made.

14.09. Professional Management. In the event that Declarant or the Association enters into any contract with any person or entity to provide management or maintenance services to the Property, such contract shall not exceed one (1) year and shall provide that the Association shall have the right to terminate the contract for cause or without cause upon thirty (30) days' written notice without payment of a termination fee.

14.10 Consent of Mortgagee. With respect to any provision in this Declaration requiring the consent or written approval of a Mortgagee, any Mortgagee who does not respond within thirty (30) days' request by the Association for such consent or written approval shall be deemed to have approved such request.

ARTICLE 15

ANNEXATION

15.01. Right to Annex. Declarant shall have the right to annex to Edgewater Townhomes subdivision, thereby bringing within the scheme of this Declaration and subject to the jurisdiction of the Association, part or all of the Additional Land, if any; provided, as long as there is at least one FHA insured loan on a Lot within the Property, such annexation is in accordance with the general plan for the Property previously approved by FHA, if any. Annexation of any real property other than Declarant's annexation of the Additional Land shall require the vote or written consent of not less than sixty-seven percent (67%) of the total Voting Power of the Association residing in Members other than Declarant, provided, however, that if a two-class voting structure is in effect then such action shall require the written consent of FHA if at the time of such action FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations. Annexation of additional property may be accomplished in Phases.

15.02. Procedure for Annexation. Any annexation shall be made by recordation of a Supplemental Declaration covering the real property to be annexed. The Supplemental Declaration shall describe the real property to be annexed and state that annexation is being made pursuant to this Declaration for the purpose of extending the jurisdiction of the Association to cover the property described therein. The Supplemental Declaration may contain such complementary additions and modifications to the terms of this Declaration as may be necessary or desirable to reflect the different character, if any, of the Phase being annexed and as are not inconsistent with the general scheme of this Declaration. Annexation shall be effective upon recordation of the Supplemental Declaration and thereupon the real property described therein shall be subject to all of the provisions of this Declaration, to the extent made applicable by the Supplemental Declaration, and to the jurisdiction of the Association pursuant to the terms of this Declaration, the Articles, Bylaws and Rules and Regulations.

15.03. Annexed Property. Each Owner of a Lot in an annexed Phase automatically shall be a Member of the Association and such Owners and annexed real property shall be subject to assessment by the Association for the benefit of the Property or any part thereof. Assessments of Lots in an annexed Phase shall commence upon the last to occur of: (a) commencement of regular annual assessments for the Property, and (b) the first day of the month next following the

first conveyance of a Lot improved with a dwelling to a purchaser (other than a successor Declarant) for use as a residence, as provided in Section 9.09. The Association shall have the duties, responsibilities and powers set forth in this Declaration, the Articles and Bylaws with respect to annexed real property. Except as may otherwise be expressly provided in this Declaration or any Supplemental Declaration, the Property shall be managed and governed by the Association as an entirety. Assessments collected from Owners in the Property may be expended by the Association anywhere in the Property without regard to the particular Phase, area or subdivision from which such assessments came, except special assessments for Association Limited Common Area shall be used only for the purpose of those assessments. All Owners shall have ingress and egress to and from all the Sub-Association Common Area throughout the Property and any Phase thereof and shall have use and enjoyment of any Sub-Association Common Area facilities and other amenities contained within the Sub-Association Common Area throughout the Property, provided that any such use shall be subject to the provisions of this Declaration, any Supplemental Declaration, the Bylaws and the Rules and Regulations.

ARTICLE 16

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify any and all persons who may serve or whom have served at any time as directors or officers of the Association against any and all expenses, including amounts paid upon judgments, counsel fees and amounts paid in settlement (before or after suit is commenced), actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding in which they, or any of them, are made parties, or a party, which may be asserted against them or any of them, by reason of being or having been directors or officers or a director or an officer of the Association, except in relation to matters as to which any such director or officer or former director or officer or person shall be adjudged in any action, suit, or proceeding guilty of willful and intentional negligence or misconduct in the performance of his or her duties to the Association. Provided, however, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association.

The provisions hereof shall be in addition to and not exclusive of any and all other rights to which any director or officer may otherwise be entitled under any law, Bylaw, agreement, vote of Association Members or otherwise. In the event of death of any officer or director, the provisions hereof shall extend to such person's legal heirs, representatives, successors and assigns. The foregoing rights shall be available whether or not such person or persons were in fact directors or officers at the time of incurring or becoming subject to such expenses, and whether or not the proceeding, claim, suit or action is based on matters which antedate the adoption of this Declaration.

ARTICLE 17

EXCULPATION

It is expressly understood and agreed that nothing contained in this Declaration shall be interpreted or construed as creating any liability whatsoever, directly or indirectly, against

Declarant or Developer, or any of their officers, members, managers, employees, agents, attorneys, heirs, executors, legal representatives, successors or assigns (collectively, the "Declarant and Developer Related Parties") for monetary relief or damages. In particular, and without limiting the generality of the foregoing, if any proceeding shall be brought to enforce the provisions of this Declaration, the party instituting such proceeding shall not be entitled to take any action to procure any money judgment against any of the Declarant and Developer Related Parties.

ARTICLE 18

MISCELLANEOUS PROVISIONS

18.01. Conflict with the Act; Severability. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of this Declaration, or any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or affect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstance.

18.02. Interpretation of Declaration. Whenever appropriate, singular may be read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely the part in which they appear.

18.03. Law Controlling. This Declaration shall be construed and controlled by and under the laws of the State of North Carolina.

18.04. Power to Settle Claims. The Board shall have the power and authority to compromise, settle, release and otherwise adjust claims, demands, causes of action and liabilities in favor of the Association and the Owners, on behalf of the Association and Owners, as the case may be, provided any such claim, demand, cause of action or liability arises out of or relates to a condition or defect common to all or a majority of the Lots or improvements constructed thereon, or to the development, design, construction, condition, repair or maintenance of or damage or injury to or defect in the Sub-Association Common Area or part thereof, and the Association shall have the right and the power to make and receive all payments or other consideration necessary therefor or in connection therewith. For such purposes, the Board shall be, and hereby is, irrevocably appointed attorney in fact to act on behalf of all Owners upon such terms and conditions and for such consideration as may be approved by a majority of the Board.

18.05. Independence of Provisions. The provisions of this Declaration shall be deemed independent and severable. Invalidation or partial invalidation of any provision of this Declaration by judgment or court order shall not affect any other provision of this Declaration, and the remaining provisions shall remain in full force and effect.

18.06. Notices. Notices shall be in writing and shall be addressed as follows: (a) if to an Owner, to the address of his or her Lot; (b) if to Declarant, to Steve Smalto, Anderson Homes, Inc., 201 Shannon Oaks Circle, Suite 120, Cary, NC 27511; and (c) if to the Association, to Edgewater Townhomes Association, Inc., c/o TLC Management of Raleigh, Inc., 201 Shannon Oaks Circle, Suite 120, Cary, NC 27511. The Association may designate a different address for notices by giving written notice of such change of address to all Owners and to Declarant. Declarant may designate a different address for notices by giving written notice of such change of address to all Owners and to the Association. Any Owner may designate a different address for notices by giving written notice of such change of address to the Association and to Declarant.

18.07. Heading. The headings used in this Declaration are for convenience and reference only and the words contained therein shall not be held to expand, modify, or aid in the interpretation, construction, or meaning of this Declaration.

18.08. Enforcement. The failure of any Owner to comply with the provisions of this Declaration, the Bylaws, the Articles or the Rules and Regulations shall entitle the Association, any Owner, or any of them, to maintain an action for the recovery of damages or injunctive relief or both, and such persons or entities, or any of them, shall have the right to enforce all limitations, restrictions, covenants, conditions, easements, liens, charges, assessments and equitable servitudes imposed by or pursuant to the provisions of this Declaration. Failure to enforce the provisions of this Declaration shall not be deemed a waiver of the right to do so thereafter. All remedies provided in this Declaration shall be cumulative and in addition to any other remedies available under law.

18.09. Equal Opportunity Housing. This Property provides equal opportunity housing. Each Lot sold shall be sold without regard to the race, creed, color, national origin, ancestry, religion, marital status, familial status, handicap, age or sex of the purchaser.

18.10. Amendments. This Declaration may be amended only in strict compliance with the Act, including, without limitation, Section 47F-2-117 of the Act, except that no Amendment altering or impairing Special Declarant Rights or affecting any rights granted to or reserved by the Declarant in the Declaration may be made without the written consent of the Declarant and the Developer.

Notwithstanding the foregoing, and provided such amendment is not expressly prohibited by the Act, during any period in which a two-class voting structure is in effect, Declarant may amend this Declaration without the approval of any Member or Mortgagee 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 Sub-Association Common Area as set forth in this Declaration and the amendment does not adversely affect the title to any Lot. In the event that such amendment would materially and adversely affect the security, title and interest of any Mortgagee, such amendment shall be valid only upon the written consent of sixty-seven percent (67%) of the Mortgagees (based on one vote for each mortgage owned).

Should the FHA, the Department of Veterans' Affairs, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation subsequently delete or modify any of their respective requirements which necessitate the provisions of this Declaration or make

such requirements less stringent, the Board, without approval of the Owners, may cause an amendment to this Declaration to be recorded to reflect such changes.

Any other amendments of this Declaration shall require (a) if a two-class voting structure is in effect, the vote or written consent of sixty-seven percent (67%) of the Voting Power of each class of Members of the Association as such classes are set forth in the Bylaws and this Declaration and the written approval of FHA if at the time of such action FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its Rules and Regulations; or (b) if a two-class voting structure is not in effect, the vote or written consent of both sixty-seven percent (67%) of the Voting Power of the Association and the vote or written consent of sixty-seven percent (67%) of the Voting Power of the Association residing in Members other than Declarant; provided, however, that the percentage of the Voting Power (of each class of Members, of the Association, and of Members other than Declarant) necessary to amend a specific provision of this Declaration shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that provision.

Any amendment which establishes, governs, provides for or regulates any one of the following: (i) voting; (u) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair and replacement of the Sub-Association Common Area; (iv) insurance or fidelity bonds; (v) right to use of the Sub-Association Common Area; (vi) responsibility for maintenance and repair of the Property; (vii) expansion or contraction of the Property or the addition, annexation or withdrawal of property to or from the Property (other than annexation of the Additional Land); (viii) the boundaries of any Lot once conveyed by Declarant to an Owner; (ix) interests in the Sub-Association Common Area; (x) leasing of ownership interests; (xi) imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his Lot; (xii) any provisions which are for the express benefit of Mortgagees; or (xiii) any other material amendment shall require written consent of sixty-seven percent (67%) of the Mortgagees (based on one vote for each Mortgage owned), and (a) if a two-class voting structure is in effect, the vote or written consent of sixty-seven percent (67%) of the Voting Power of each class of Members and the written approval of FHA if at the time of such action FHA is the insurer or guarantor of any loan secured by a Mortgage and such approval by FHA is required under its regulations, or (b) if a two-class voting structure is not in effect, the vote or written consent of sixty-seven percent (67%) of the total Voting Power of the Association, and the written consent of sixty-seven percent (67%) of the Mortgagees (based on one vote for each mortgage owned). Any Mortgagee who does not respond within thirty (30) days' request by the Association for consent to an amendment of this Declaration shall be deemed to have approved such request.

Any instrument amending this Declaration must contain a certification by the Secretary of the Association that the amendment has been correctly adopted in accordance with the provisions of this Declaration and be recorded in the official records of the County. Any such amendment shall be effective upon the date of recordation.

ARTICLE 19

RIGHTS OF DEVELOPER

19.01. Development of Additional Land. Developer has sold and conveyed to Declarant the Property as described in Article 2 of the Declaration and has contracted to sell to Declarant the Additional Land as described on Exhibit B to the Declaration. It is the intent of Developer and Declarant that the Lots developed on the Additional Land will be subjected to the Declaration as they are purchased by Declarant from Developer. However, Developer and Declarant also acknowledge the following: (i) ordinances of the City, the requirements of the FHA, or the requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or other governmental agency or lender who provides governmental insured loans for dwellings on Lots in Edgewater Townhomes, may necessitate subjecting Lots owned by Developer to the Declaration prior to their conveyance to Declarant; (ii) if, for any reason, Declarant does not purchase all of the Lots in Edgewater Townhomes, Developer may need the ability to deal with those Lots as if it were the Declarant under the Declaration; and (iii) Developer, in developing Edgewater Townhomes into Lots to sell to Declarant, may need certain rights to access and work in portions of the Sub-Association Common Area and may need certain easements over, under and through Sub-Association Common Area. Accordingly, Developer agrees to comply with the following obligations, and the following rights and easements hereby are granted to Developer, its successors and assigns.

19.02. Agreement to Subject Lots to the Declaration. Developer agrees to subject part or all of the Additional Land to the Declaration to the extent necessary to satisfy the requirements of the City, FHA, Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or other governmental agency or lender who provides governmental insured loans for dwellings on Lots in Edgewater Townhomes.

19.03. Conveyance of Sub-Association Common Area to Association. Developer has conveyed to Declarant, as part of the Property, some or all of the real property that is intended to be Sub-Association Common Area under the Declaration. Such Sub-Association Common Area is all of Tract 2, other than Lots 400 through 599, inclusive, as shown on the map of Edgewater Townhomes Tract MR2, recorded in Book of Maps 2004, Pages 2052 through 2057, Wake County Registry. Developer is hereby granted the right to enforce the provisions of Section 4.01 of the Declaration pertaining to Declarant's conveyance of the Sub-Association Common Area to the Association.

19.04. Developer's Assessments. Until such time, if any, that Developer becomes a Co-Declarant under the Declaration, Developer and all Lots owned by Developer, are exempt from all assessments under the Declaration, and Developer shall have no votes in the Association, except that Developer shall be a Class A member of the Association with respect to all Lots owned by Developer on which dwellings have been constructed. Following an uncured default by Declarant and failure of Declarant to purchase the Additional Land from Developer as required by the contract between Developer and Declarant, Developer may exercise all Declarant rights under the Declaration with respect to all or any portion of the Additional Land that it owns by recording in the Wake County Registry one or more Supplemental Declarations establishing such Declarant rights with respect to such Additional Land as described therein. If Developer, as a Co-Declarant, elects to fund the budget deficit in lieu of payment of assessments as allowed under Section 9.12, Declarant's obligation to fund such budget deficit shall be limited to its pro rata share of such budget deficit, which shall be the fractional portion thereof equal to the result obtained by dividing the number of Lots owned by Developer with respect to which Developer has elected to fund the budget deficit rather than pay assessments, by the total number of Lots

owned by Declarant and Developer with respect to which such Declarant and Developer have each elected to fund the budget deficit rather than pay assessments.

19.05 Developer's Easements. Developer, its agents and contractors, are hereby granted the following non-exclusive rights and easements over, under and through the Sub-Association Common Area and over, under and through all public and private drainage easements located on Lots:

(a) The right to cause the Declarant or Association to grant perpetual utility easements on, over, under, across and through the Sub-Association Common Area as may be reasonably necessary for development of Edgewater Townhomes, or other property subject to the Master Declaration, and the Declarant or Association, as applicable, shall, upon request, execute any such easement to facilitate recording of same in the Wake County Public Registry. For purposes of this Article 19, "utility" or "utilities" include, without limitation, water, sanitary sewer, storm water drainage, electricity, telephone, natural gas, cable television, greenway easements, and buffers required by City ordinances or other governmental laws, ordinances and regulations. Such easements may be granted by written instrument or plat, and may be publicly-dedicated or private easements. Insofar as reasonably practicable, and except for any portions thereof that by necessity must be at or above the surface of the ground, all utilities installed, used and maintained pursuant to such easements shall be underground. Unless specifically excluded therefrom, the grants of all such easements by the grantor are deemed to include a right of ingress, egress and regress over and upon all portions of the Sub-Association Common Area as reasonably required to facilitate the exercise of such easements.

(b) The right to install, use and maintain in Sub-Association Common Area such utilities as may be reasonably be required for development of Edgewater Townhomes, or other property subject to the Master Declaration.

(c) The right to install, use and maintain in Sub-Association Common Area signs, landscaping (including, without limitation, grass, plants, lighting, and irrigation), fencing and other decorative features in connection with development of Edgewater Townhomes. Following the uncured breach and failure of Declarant to purchase all of the Additional Land from Developer as required by their contract, this right also includes the right to maintain in the Sub-Association Common Areas signs advertising for sale any part or all of the Additional Land owned by Developer and signs providing directions to any part or all of the Additional Land owned by Developer. This right to maintain such advertising and directional signs is assignable by Developer to any purchaser of any part or all of the Additional Land from Developer and includes the right to maintain signs advertising for sale or rent dwellings constructed on Lots owned by such assignees.

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

(e) The right to construct, improve, repair, replace, relocate and maintain all storm water drainage pipes, drains and other storm water drainage equipment and facilities within all public and private drainage easements within Edgewater Townhomes, in accordance with any requirements of the City or other governmental entity and/or in accordance with any contractual obligations of Developer to Declarant or to any person or legal entity. Easements rights granted to Developer under

this subparagraph (e) are hereby granted to the Master Association and may also be exercised by the Master Association in accordance with its rights under the Master Declaration.

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

(g) A nonexclusive right and easement at all times to enter upon any portion of any easement to the extent necessary to gain access and maintain improvements and facilities in such easement and/or to exercise its rights as Developer or Declarant under the Declaration, and no such entry shall be deemed a trespass.

19.06 Termination of Developers Rights and Easements. Except with regard to the rights granted to the Master Association under Section 19.05(e), the rights and easements granted to Developer in this Article 19 shall automatically terminate, without the execution or recording of any other document, upon the later of the following dates: (i) on such date that Developer has conveyed all the Additional Land to Declarant, (ii) on such date that Developer completes all of its development obligations to Declarant pursuant to the contract between Declarant and Developer, (iii) on such date that Developer completes its development obligations to any other purchaser of any part or all of the Additional Land in the event that Declarant fails to purchase all of the Additional Land from Developer, or (iv) on such date that Developer completes all of its development obligations to the City with respect to Edgewater Townhomes. In addition to the foregoing, Developer may at any time terminate any part or all of its rights and easements granted in this Article 19 by recording in the Wake County Public Registry one or more instruments terminating any part or all of such rights and easements.

19.07 Amendment of this Article. As long as the easements or rights granted to Developer in this Article 19 exist as provided herein, the provisions of this Article 19 may not be amended without the written consent of Developer.

19.08 Compliance with Laws. Developer's exercise of all rights and easements under this Article 19 shall comply with all applicable City and other governmental laws, ordinances and regulations.

19.09 Indemnity and Repair of Damages. In connection with its exercise of any and all rights and easements granted in this Article 19:

(a) Developer shall promptly repair any and all damages to any part or all of the Property or Additional Land that results from such exercise, by repairing or restoring such damaged real or personal property to a condition substantially the same or better than it was in prior to the occurrence of the damage; and

(b) Developer shall indemnify, defend and hold harmless the Association and the Owners of all real or personal property in the Property or Additional Land from and against any and all claims for damages or other legal or equitable remedy or relief, causes of actions, costs, losses, expenses and liabilities, including costs of defending against such claims or causes of action (including reasonable attorneys' fees), arising out of or resulting from the exercise of any of such

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rights or easements by Developer or any of Developer's employees, contractors, subcontractors or agents.

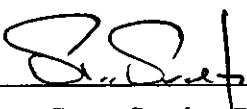
[SIGNATURES ARE ON NEXT PAGES]

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IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration as of the date first above set forth.

DECLARANT

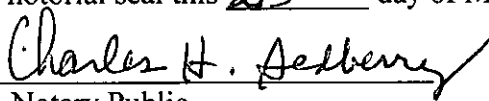
ANDERSON HOMES, INC., a corporation

By: 
Steve Smalto, President

NORTH CAROLINA
WAKE COUNTY

I, a Notary Public of the County and State aforesaid, certify that Steve Smalto personally came before me this day and acknowledged that he is President of Anderson Homes, Inc., a corporation, and that he, as President, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and notarial seal this 25th day of May, 2005.


Notary Public

My commission expires: May 30, 2009

CHARLES H. SEDBERRY
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires May 30, 2009.

IN WITNESS WHEREOF, Sandler at Wakefield, L.L.C. has executed this Declaration on the date indicated in the acknowledgment of its execution, to acknowledge its consent and agreement to the provisions of Article 19 of the Declaration insofar as the same affect Sandler at Wakefield, L.L.C., as the current Declarant under the Master Declaration, and to consent to the recording of this Declaration as a Subdivision Declaration pursuant to Article II, Section 6 of the Master Declaration.

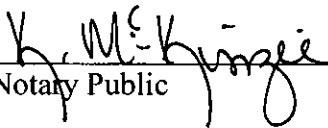
**SANDLER AT WAKEFIELD, L.L.C.,
A Virginia Limited Liability Company**

By: 
Nathan D. Benson, Manager

STATE OF ~~NORTH CAROLINA~~ VIRGINIA
COUNTY OF ~~WAKE~~ VIRGINIA BEACH

I, a Notary Public in and for said County and State, do hereby certify that Nathan D. Benson, Manager of Sandler at Edgewater, L.L.C., a Virginia limited liability company, personally appeared before me this day, and acknowledged came before me this day and acknowledged that he is Manager of Sandler at Edgewater, L.L.C., and that he, as Manager, being authorized to do so, executed the foregoing on behalf of the limited liability company.

WITNESS my hand and official seal, this 24 day of may,
2007.5


Notary Public

My Commission Expires: 09-30-06
[NOTARIAL SEAL OR STAMP]
edgewater townhome declaration October 7



EXHIBIT A

TRACT I:

BEING all of Lots 400 through 423, inclusive; Lots 496 through 500 inclusive; and Lots 561 through 599, inclusive; all as shown on the plat of Edgewater Townhomes Tract MR2, recorded in Book of Maps 2004, Pages 2052 through 2057, Wake County Registry.

TRACT II:

Being all of that certain tract or parcel of land lying in the City of Raleigh, St. Matthews Township, Wake County, North Carolina, and being more particularly described as follows:

All of Parcel 2, less and except all of those certain tracts of land comprised of numbered lots (as being evidenced by such lot numbers being circled on such plat) 400 through 404, inclusive; 405 through 409, inclusive; 410 through 417, inclusive; 561 through 566, inclusive; 567 through 572, inclusive; 573 through 577, inclusive; 578 through 582, inclusive; 583 through 590, inclusive; 591 through 595, inclusive; and 596 through 599, inclusive, all as shown on that certain plat entitled, "Edgewater Townhomes Tract MR2 Subdivision/ Recombination/ Easement Dedication, St. Matthews Twsp., Wake County, North Carolina," dated June 3, 2004, prepared by The John R. McAdams Company, Inc., and recorded in Book of Maps 2004, Pages 2052 through 2057 (2054), Wake County Registry; and numbered lots 418 through 423, inclusive; 424 through 431, inclusive; 488 through 495, inclusive; 496 through 500, inclusive; 501 through 508, inclusive; 549 through 554, inclusive; and 555 through 560, inclusive, all as shown on that certain plat entitled, "Edgewater Townhomes Tract MR2 Subdivision/ Recombination/ Easement Dedication, St. Matthews Twsp., Wake County, North Carolina," dated June 3, 2004, prepared by The John R. McAdams Company, Inc., and recorded in Book of Maps 2004, Pages 2052 through 2057 (2055), Wake County Registry; and numbered lots 432 through 439, inclusive; 440 through 446, inclusive; 447 through 454, inclusive; 455 through 462, inclusive; 463 through 468, inclusive; 469 through 474, inclusive; 475 through 479, inclusive; 480 through 487, inclusive; 509 through 515, inclusive; 516 through 523, inclusive; 524 through 531, inclusive; 532 through 535, inclusive; 536 through 542, inclusive; and 543 through 548, inclusive, all as shown on that certain plat entitled, "Edgewater Townhomes Tract MR2 Subdivision/ Recombination/ Easement Dedication, St. Matthews Twsp., Wake County, North Carolina," dated June 3, 2004, prepared by The John R. McAdams Company, Inc., and recorded in Book of Maps 2004, Pages 2052 through 2057 (2056), Wake County Registry.

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EXHIBIT B

BEING all of Lots 424 through 495, inclusive; and Lots 501 through 560, inclusive; all as shown on the map of Edgewater Townhomes Tract MR2, recorded in Book of Maps 2004, Pages 2052 through 2057, Wake County Registry.



BOOK:011378 PAGE:00867 - 00918

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___ of Charles H. Sedberry

____ 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: Carolyn J. Riddick

~~Assistant~~/Deputy Register of Deeds

This Customer Group

____ # of Time Stamps Needed

This Document

52 New Time Stamp
____ # of Pages