



264 W. Millbrook Road | P.O. Box 20969 | Raleigh, NC 27619 | Office: (919) 676-4008 | Fax: (919) 676-2721

www.Pindell-Wilson.com

Frequently Asked Questions-Townhomes

****Disclaimer-** The information contained here is general in nature and is not intended to provide you with information for any specific association. Policies, Rules, and Governing Documents can vary widely from one association to another. Please contact Pindell-Wilson or view our website at www.pwraleigh.com if you are seeking specific information concerning your association or to access its governing documents.

Assessments

Q. What is a homeowner's association?

A. A homeowner's association is an incorporated entity in which all members that have purchased a home within the subdivision have agreed to be subjected to association assessments and to abide by a Declaration of Restrictive Covenants. An HOA is an organization in a subdivision, planned community or condominium that makes and enforces rules for the properties in its jurisdiction. HOA's also collect assessments to pay for upkeep of common grounds, professional management, roof replacement, exterior building maintenance, parking lots, common areas such as parks, tennis courts, elevators and swimming pools. HOA's collect regular assessments and can levy special assessments on homeowners when the association lacks sufficient reserves to pay for unexpected repairs.

Q. What are my homeowner's assessments (dues) and what are they used for?

A. Paying assessments (most commonly referred to as "dues") are an obligation of the owner. All income collected is used to pay for the various common expenses that your association may incur. Expenses that the HOA may be responsible for, such as common area landscaping, power washing, parking lot, mulch, mailings, annual tax filing, sign maintenance, electricity, water, irrigation, insurance, reserve savings, repairs, maintenance, amenities, legal fees, management fees, and much more.

Q. Who determines what the dues are spent on?

A. The Board of Directors for the association works closely with the management company to determine the budget for each year. Some expenses are constant from year to year, such as utilities, where others may be optional, such as special projects that are only done every few years. During the budget process the Board of Directors will look at both the income and expenses and determine the amount of the dues for the next year.

Q. What happens if I do not pay my dues?

A. After the deadline to make payment passes you will receive a late notice along with a \$20 late fee. The next month if the dues have still not been paid you will receive a 15 day final demand letter and another \$20 late fee. The 15 day letter is the last opportunity to pay in full or contact the management company to make payment arrangements before the account is turned over to a collection attorney. There will be a \$20 late fee added to the balance for every month the dues are not paid in full. The collection attorney is employed by the association and per the covenants and N.C. state statutes; the homeowner is responsible for all HOA dues, late fees, legal costs and court costs. After an account goes to collections the owner will receive a demand letter from the attorney, approximately 15 days after that, a lien will be filed on the home. A lien is valid for up to 3 years and at any time the board can decide to initiate foreclosure of the lien on the property. Past-due accounts are a very serious matter as the HOA has the power to foreclose on your home and evict the occupants for unpaid assessments (dues). It is always recommended that owners contact us immediately if they are having financial difficulty and arrange a reasonable payment plan.

Governance

Q. Who handles the affairs of the association and is responsible for making the decisions of the association?

A. The Board of Directors for your association has a fiduciary duty to make decisions that are in the best interest of the association. Per the Covenants and By-Laws, each member of the Board has certain responsibilities they must perform. Many of the Board's responsibilities are delegated to the management company; however, the Board is ultimately responsible to ensure that everything is being done properly and in accordance with the governing documents. The Board is either selected by the developer (while the community is new or under construction) or elected from amongst the membership at the annual meeting.

Q. What are the governing documents?

A. They vary greatly by association, but simply put, the Articles of Incorporation are done when an association is first formed and is filed with the state of N.C. and it creates the corporate entity that is the association. The By-Laws are written as a guide on how to govern the corporation (association). The Declaration of Covenants and Restrictions affects all the lots in a subdivision or condominium after it has been recorded in the land records by the developer. Any purchaser that buys a lot or unit is subject to the terms and provisions set forth in the Declaration. Restrictive Covenants can govern lot size, building type and use, square footage of dwellings, garage size, architectural style, building lines, construction of out buildings, construction of pools, fences, shrubs, wetland buffer zones, noise, pets, etc. Fees are assessed for upkeep and maintenance of common areas within a subdivision. The foregoing is only a small sampling of terms and provisions that can be included. Rules and Regulations and Architectural Guidelines are adopted by the Board of Directors.

Q. Where are the governing documents found?

A. You should have received a copy from your real estate agent or closing attorney when you bought your home, but we host most of the governing documents on our website, www.pwraleigh.com. However, often there are numerous amendments made by the developer and recorded with Wake County. All of these are available to you as part of the public record by searching on the Wake County Register of Deeds website.

Q. How can I communicate with the Board?

A. Please keep in mind that the Board members are volunteers made of up your fellow owners and as such have jobs and other responsibilities so they may not be available immediately. The best way to be heard is to send your message or concern in writing to the management company and we will forward that on to the Board. You also have the right to attend the board meeting and be heard in a "homeowner's forum" if you desire. Just call Pindell-Wilson and we will let you know the date and time of the next board meeting.

ARCHITECTURAL

Q. When do I need architectural approval from the HOA?

A. Per the Declaration of Covenants and Restrictions, any time you are doing work that will alter the appearance of the home or lot from the exterior. If you are repairing something back to its original state approval is not required. Some examples of projects that do require approval are: adding a deck, installing yard decorations, removing trees, changing exterior color of the home or siding material, shutters, roof shingles, front door, adding storage sheds, retaining walls, adding trees, children's playhouses, major landscape projects, and much more. Some projects that do not require approval are: painting the house the same color, changing roof shingles if they are the same color & style, putting up seasonal holiday lights and decorations, (within reasonable tastes and time frames), repairing existing decks, sheds, and structures.

Q. How do I obtain architectural approval?

A. The first step is filling out the Architectural Change Request Form. This form is available on our website or by contacting your association manager. The process of obtaining approval can take up to 30 days, and as long as 60 in some associations, from the date the form is submitted so please get the process started well in advance of the date you would like to begin your project. Under no circumstances should work begin prior to approval being obtained. Completion of unauthorized projects may result in disciplinary action against you through fines of up to \$100 per day and the association taking legal action to obtain a court order to force removal of the unauthorized project. All architectural requests are reviewed by the designated architectural committee in your community.

Q. Are Satellite Dishes ok?

A. Some governing documents prohibit or restrict satellite dishes; however, federal law of 1999 supersedes any of these documents. Currently, it is not legal to restrict dishes under 24 inches in diameter. No approval is required to install a dish as long as it is on your direct property and not common property. The association does prefer that you consider aesthetics of the neighborhood when having these dishes installed and that it is put in the back of the home if possible and if not, in the most aesthetically pleasing location as possible. Also, the owner will be held responsible for any building damage or roof leaks that are caused by the installation of the dish.

GENERAL QUESTIONS

Q. Does the HOA own the outside of my townhome?

A. No, you own the entire structure including the outside. Per the covenants, the HOA only provides specific exterior maintenance on your property and the HOA owns the common property such as the grounds, parking lot, and any other common property. Make sure you have the proper building insurance coverage in place and that you do not have a “condo” HO-6 policy if you own a townhome. The HOA does not provide any insurance coverage on the buildings themselves.

Q. Children are loitering in the street, trespassing onto my patio, leaving trash on the ground, what should I do?

A. First try to determine where they live and speak with the parents, secondly, contact the local law enforcement agency. Trespassing, loitering, and littering are crimes. While we sympathize with you for having this unfortunate problem, these are civil matters and the HOA or management company will not get involved.

Q. My neighbor’s dog is barking and they are not picking up after their dog, what should I do?

A. The management company would be happy to send a letter to the offending owner, just call us and give us their address. If the dog is barking after 11pm you can contact the police for violation of the noise ordinance. Also, most towns, cities, and counties have rules regarding picking up after pets. Please report those that are not cleaning up after their pet to the local Animal Control department. Also, please report any dogs that are running loose to Animal Control. If you know the address of where the dog’s owner lives, please also call Pindell-Wilson.

Q. My neighbor is playing loud music, what should I do?

A. First try to contact them and resolve the issue that way, if that does not work, the next step is to call the police if the noise is after 11pm.

Q. Who handles the street maintenance and signs?

A. This is most likely handled by your local municipality- NCDOT, Wake County, Raleigh, Fuquay, Cary, Garner, Zebulon, Durham, etc. and not the HOA. The streets, sewers, drains, stop signs, road signs, etc. are public property and the HOA has no authority or responsibility to maintain them. The only exceptions are when the streets are privately owned by the HOA or the covenants state otherwise. Many townhomes do have private streets that are maintained by the HOA, so please ask your management company if you are uncertain if your streets are public or private.

Q. What if I rent out my home, move, or otherwise still own the home but do not live there?

A. Please be sure to provide us with your new mailing address each time it changes. This is very important because if the new address is not provided to us, all mail will continue to go to the property instead of where you, the owner, are living. Most often the tenants do not forward the mail to you and you may miss very important mailings from the association. The association holds owners responsible for the actions of their tenants so it is very important we have a valid mailing address on file and a way to contact the owner of the property.

Q. I am selling my home, what do I need to do?

A. Please have your real estate agent contact us with any questions. Also, once the home is under contract and the closing date nears, have your closing attorney contact us to make sure we provide all of the most up to date and accurate information to them.

Q. I would like to contact Pindell-Wilson, what is the best way to do so?

A. There are several ways you can contact us, first would be through our website www.pwraleigh.com, by mail to: P.O. Box 20969 Raleigh NC 27619, by phone at 919-676-4008, by fax to 919-676-2721, by email to staff@pwraleigh.com or at our office at 264 W. Millbrook Road. Our office hours are Monday-Thursday 8:30am-5:00pm and Friday 8:30am-4:00pm.

WATERSIDE DRIVE LONDONDERRY TOWNHOME ASSOCIATION

C/o Pindell-Wilson Property Management Company

RULES & REGULATIONS

(Revised January 2017)

-
1. **GENERAL:** In accordance with Article VIII of the Bylaws, the Board of Directors has established the following rules and regulations which are designed to make living at Londonderry pleasant and comfortable for each member of the Association. The restrictions that the Board imposes upon the members are for the mutual benefit of all. The cooperation and consideration of each member is vital. General questions and concerns should be reported to the Management Company or the Board during normal hours, 8:30 a.m. thru 5:00 p.m. Emergencies should be reported immediately to Management Company at 919-676-4008.
 2. **ANNUAL ASSESSMENT (DUES):** The Annual Assessment is established by the Board of Directors and/or owners under the provisions of Article VI of the Declaration and Article XII of the By-Laws. The Annual Assessment may be paid in equal monthly payments by the owners who make timely payments. The Assessment is due and payable between the first and last day of each month. Any owner who is in arrears for one or more months will be subject to the association's collection process. Late payments may subject the delinquent owner to: (a) \$20 late fee for each month there is an unpaid balance; (b) attorney fees; (c) collection costs; (d) a lien on the property which may result in foreclosure proceedings through the Wake County Courts.
 3. **VIOLATIONS:** The Board, as authorized under the Bylaws, Article VIII, Section 1, may impose penalties/fines for the infraction of any of these rules and regulations. Residents are expected to notify the management company if a violation is observed.
 4. **ALTERATIONS:** Contact Pindell-Wilson and request a Londonderry Exterior Change Form. No exterior alterations, additions, or change of any type to any building or grounds area is permitted without the prior written consent of the Board of Directors. A request must be made in writing to the Board for approval. The Board may or may not approve the request. A written reply to requests will be made within thirty days after the monthly Board meeting following receipt of the request. Should an unauthorized alteration be made, the Board may impose a fine and/or restore the property to its previous status (if possible) and subsequent costs will be charged to the homeowner. Should the homeowner fail to pay these costs, a lien will be filed as described in the preceding section under Item 2, "Dues."
 5. **AUTOMOBILE REPAIRS:** Minor vehicle repairs (oil changing, tire changing, sparkplug replacement, etc.) are allowed; however, major repairs (engine overhaul, transmission repair, brake replacement, rear end repairs, etc.) are not allowed. Any damage, including oil spills, to the

parking lot or any grounds area is the sole responsibility of the homeowner. Vehicles are not allowed on jacks or blocks longer than it takes to do the minor repair, but never for more than 24 hours.

6. **CLOTHESLINES:** Outside clotheslines are not allowed at Londonderry.
7. **COMMON AREAS:** Every homeowner/tenant should protect his interest in the common area. Please do not abuse these areas by littering or restricting the enjoyment of these areas in any way. (See also Item 16)
8. **DAMAGE:** Any damage to the exterior of any building, fence, or common property by the owner/resident, or by a member of the owner's/resident's household or by a guest of the owner/resident or by a worker/vendor employed by the owner/resident shall be charged to the responsible owner/resident. The Association may repair the damages and charge the cost of repairs to the owner responsible for the damage. NOTE: Damage includes, but is not limited to, clogged sewer lines due to pouring/flushing inappropriate items down the drain/toilet. Please do not pour any type of grease or oil down the drain. Please do not flush anything other than toilet paper and human waste down the toilet.
9. A. **EXTERIOR ANTENNAS:** No outside antennas of any type allowed.

B. **SATELLITE DISHES:** Satellite dishes less than 1 meter in diameter are allowed to be installed on the direct property of the owner and not in common areas. The preferred location for satellite dishes is in the rear of the home on the roof or deck. When possible avoid mounting satellite dishes onto the vinyl siding. Please make every effort in conjunction with your satellite provider to have the dish installed in a visually pleasing location, so not to detract from the appearance of the community. All exterior wiring must be professional in appearance and must be secured to the building in a neat and orderly fashion. The HOA is not responsible for leaks and other damaged caused by the installation of a satellite dish.
10. **FIREWOOD:** Keep all wood or other debris away from the building siding and foundation. Firewood must be kept within the patio/deck area (not directly against a wall due to termite or other insect hazard.) Do not stack firewood on the grass. Owner/tenant should treat the wood to deter insects. (See Item 8 and Item 23).
11. **HAZARDS:** The discharge of firearms, fireworks, or any other noise-making device is not permitted at any time within the boundaries of Londonderry.
12. **INSURANCE:** The Association does not provide insurance for the residential units. Fire and hazard insurance to cover the dwelling is the owner's responsibility as per the Londonderry Restrictive Covenants. The owners must carry sufficient fire and hazard insurance to cover the current replacement value of the dwelling. The Association does provide common property liability insurance. It is recommended that all owners in the same building carry insurance coverage with the same company. It is also recommended that tenants carry the appropriate insurance to cover the replacement value of their property.

13. **MAILBOXES:** Federal Law prohibits any unauthorized entry of mailboxes. Any person in violation will be reported to the Federal Postal authorities. Residents are expected to notify the management company if a violation is observed.
14. **NOISE:** Being thoughtful of one's neighbors is especially important in a community such as Londonderry. Loud noises from televisions, stereo equipment, musical instruments, annoying pets, and other disturbances should be avoided at all times, especially between the hours of 11:00 p.m. and 8:00 a.m. If a homeowner is disturbed by a loud noise, he should first attempt to notify the disturbing party. If the disturbing party is uncooperative and the problem is severe, then the local law enforcement agency should be contacted. The management office should be contacted the next business day.
15. **PARKING:** Two parking spaces are numbered and assigned to each town home unit. Owners / tenants must use **ONLY** the two spaces designated for their unit. Parking spaces designated as 'VISITOR' are for use by guests, on a first come / first serve basis.
All vehicles parked on Londonderry property must show current registration (license tags) and be in operating condition. Vehicles not in compliance are subject to being towed, at the vehicle owner's expense.
Parking violations include but are not limited to: parking in non-paved common areas; parking on the grass; parking in non-marked paved areas; and, double parking.
Parking for recreational vehicles, boats, campers and trailers is located on Loch Laurel Lane, adjacent to the creek near the dumpster. This parking area is reserved only for Londonderry homeowners that reside in their unit. Rental property owners and their tenants or guests cannot use the RV parking area. These spaces are limited to 1 space per unit at any one time and on a first come / first serve basis only.
**** PARKING OF COMMERCIAL VEHICLES IS PROHIBITED IN LONDONDERRY, UNLESS WRITTEN APPROVAL IS GRANTED BY THE HOA BOARD OF DIRECTORS.**
16. **PETS:** All pets on Londonderry property shall be kept on a leash and under control of their owner at all times. Pets shall not be allowed to run free, disturb, annoy or otherwise interfere with residents and their guests. Any inconvenience, damage, excrement or unpleasantness caused by any pet shall be the responsibility of the owner. In compliance with City Ordinance #12-3011 Section C, dog owners must clean up after their dogs - i.e., pet owners must pick up and properly dispose of pet waste; pet waste must not be left anywhere on Londonderry grounds. Pet owners determined in violation can be assessed a fine of \$50 for each instance where they fail to clean up after their pet and to properly dispose of the waste.

You may report violations of the City's pet ordinances to Animal Control telephone (919) 996-1449. You should be prepared to produce evidence of violation.

17. **PLANTING:** The area within your patio may be planted at your discretion so long as it is not unsightly or damaging to the property. This area should be kept neat and clean at all times and is the responsibility of the owner/resident. Planting outside this area is not permitted without written permission from The Board. A request for planting must be submitted in writing. (See Item 4, Alterations)
18. **RENTERS:** All renters/tenants must comply with the rules, regulations, and By-Laws of the Association and should be properly informed of the responsibilities by the owner of the unit. Any damage done by the renters shall be charged to the respective unit homeowner. Violations of these Rules and Regulation by tenants may result in fines or penalties against the owner.
19. **SNOW & ICE REMOVAL:** The Association will have sand/salt spread on the hills of Loch Laurel Lane, Highcastle Court and at the Millbrook entrance to Plumbridge Court. This work will be done after the snow/ice subsides, and consistent with similar actions taken by the city. The steps and walks will be the responsibility of each individual owner/resident. Cat litter is suggested for steps and walkways so vegetation will not be harmed. **Do not use Salt** because it is detrimental to vegetation and masonry. (See Item 8)
20. **SPEED LIMITS:** For safety reasons, the speed limit on any street within Londonderry shall not exceed 10 miles per hour. Special attention should be exercised when driving to insure the safety of all residents.
21. **TERMITE INSPECTIONS** and other infestations: An annual termite inspection is conducted as a service to owners but does not relieve the owner of responsibility to have termite protection for any repairs required. Active termites are sprayed during the inspection. A termite letter is sent to each owner where an inspection problem is determined. Other infestations (ants, carpenter bees or beetles, spiders, fleas, etc.) should be treated as needed by the owner or the owner should hire an exterminator to treat the problem. (See Item 3 and Item 8)
****Home owners must provide access for the termite inspections**
22. **TOYS:** Bicycles, toys, and so forth must not be left in the common areas or in the way of ground maintenance. No playground equipment of any kind is allowed. Children must exercise caution and restraint when riding bicycles or push toys within the private streets of our community. Reasonable supervision of children by a responsible adult must be exercised at all times when children are playing on the common grounds. Parents assume the risk of all such activities. **Skateboarding is not allowed on the community streets.**
23. **TRASH & GARBAGE:** Report violations to Pindell-Wilson immediately. Londonderry Dumpsters are for household trash and garbage only. Allowable items must be placed **IN** the dumpster. Any others objects, i.e. furniture, building materials, doors, mattresses/box springs, tires, windows, wood, etc. are not allowed in or around the dumpsters. Batteries and other chemical waste must not be placed in or beside the dumpsters as it violates State Law. Owners must properly dispose of their own debris. Contact the city (831-6522) to determine the most convenient Yard Waste or Household Waste Disposal locations for you. The cost to correct these violations is the specific unit owner's responsibility. Notify Pindell-Wilson (676-4008) immediately if you see a resident leaving materials outside the dumpster or leaving materials that is prohibited in the dumpsters. Also, notify Pindell-Wilson if you see non-residents using a

Londonderry dumpster. Give Pindell-Wilson the time, location, description, and vehicle license number of any non-resident you see using Londonderry dumpsters on Highcastle, Loch Laurel, or Plumbridge. **VIOLATORS ARE SUBJECT TO FINES.**

24. **WINDOW AIR CONDITIONERS:** Window air conditioners of any type are not allowed.
 25. **WINDOW COVERING:** Temporary window coverings may be used for a period of no longer than 30 days, after which the owner/tenant is expected to have normally acceptable permanent window coverings, such as blinds, shades and/or curtains. Exterior view of blinds, shades and/or curtains must be maintained in good condition. All window covering must be neutral in color. No signs of any type are permitted in the windows at Londonderry.
 26. **WATER:** Water & Sewer lines between the unit and the meter servicing that unit are the responsibility of the owner.
 27. **DECKS, FENCES & PATIOS:** As the owner enjoys sole benefit and enjoyment of the area, the rear deck and patio is not considered common area. All deck and patio repair and maintenance is the responsibility of the homeowner. The rear deck and patio area must be kept safe, neat & clean and free of any trash or debris. All rear areas must be kept in a state of good repair and remain visually pleasing to the community. Maintenance and repair of fences and patios is also the responsibility of the owner and not the association.
 28. **ANIMALS, LIVESTOCK, POULTRY:** No game, fowl, livestock, poultry, chickens, roosters, ducks, pigeons, rodents, and other non-domesticated animals/pets are allowed in Londonderry. Under no circumstances will any type of living creature be kept or stored outside of the townhome. No outdoor cages, pens, or crates of any type are allowed. Indoor pets such as small lizards, snakes, guinea pigs, fish, etc. are allowed.
- * In accordance with chapter 47-F of the NC Planned Community Act, Failure to adhere to the above Rules & Regulations of Londonderry may result in a fine issued against the property owner.**

OVERALL OWNER/TENANT RESPONSIBILITIES

**Residents are expected to notify Pindell-Wilson if a violation is observed and/or there is any other incident or problem that the Board or Management Company should be aware of.*

There are a few routine things that each resident can do to keep the expenses down and improve the appearance and attractiveness of the complex. Please do not put mattresses and other large items by the dumpsters, as they will not be picked up. The HOA must then hire someone to get rid of the items. Also, please keep the other residents in mind when you walk your dog and report violations. (See Item 16, Pets) Judicious guidance of your dog and/or cleanup will be greatly appreciated by your neighbors. As you go about your daily activities, please avoid littering, and please pick up any debris on the ground. These neighborly duties require very little effort on your part, but collectively can make a big difference in the appearance of the complex.

LONDONDERRY HOMEOWNERS ASSOCIATION HOMEOWNERS AND ASSOCIATION RESPONSIBILITIES

	<u>Association</u>	<u>Homeowner</u>
Common Area (Grounds)		
Maintenance, repair & improvements	X	
Chimney Flue & Fireplace		
Maintenance & repair		X
Doors (including French, storage, and sliding)		
Maintenance & repair		X
Painting (scheduled)	X	
Other than scheduled		X
Electrical		
Service to electric meter	CP&L	
Service from meter to house		X
All wiring from meter including panel & inside house		X
Cable TV and phone connections		X
Exterior building surfaces		
Maintenance & painting (also see "Glass Surfaces")	X	
Fences		
Patio - maintenance & repair		X
All rear fencing & decks		X
Gas (Natural)		
Gas main to gas meter	PSNC	
From gas meter to and including house		X
Glass Surfaces		
Maintenance & repair of windows, doors, door & window casings, door and window sills, door & window locks		X
Storm doors		X

	<u>Association</u>	<u>Homeowner</u>
Gutters & Downspouts		
Maintenance, Replacement, Repair & Cleaning	X	
HVAC (Heating & AC Equipment)		
Maintenance & repair including lines, ducts, drains, condensers, compressor & electrical connections		X
Interior Damage		
Repair to ceilings, walls, carpet, floors, underside of house etc., caused by leaking roofs, siding, or foundations/walls, or from ground water		X
Interior damage from stopped up sewer lines.		X
Mailboxes		
Supports & boxes	X	
Lock and Key services		X
Negligence		
Negligent damage to grounds, building or any common areas		X
Nuisances		
Removal or extermination of rodents, birds, squirrels, insects, woods destroying insects, (termites) etc.		X
Repair of termite damage		X
Patio Areas		
Concrete Repairs		X
Maintenance of plants & shrubs		X
Repairs due to negligence		X
Decks		
Repair or Replace damaged/rotted wood		X
Painting or Staining		X
Pressure Washing		X
Maintenance		X
Plumbing System		
Water Line from main to meter	X	
Water Line from meter to house		X
Water lines under and within walls of townhouse		X
Sewer line main	X	
Sewer line from main to house and including house		X
Outside water faucets		X
Water heater & equipment		X
Roof		
Covering (shingles) maintenance & repair	X	
Sheathing & framing (under shingles)		X
Interior damage from roof leak		X
Screens		
Window & Door (maintenance, repair/replacement)		X

Trees, Shrubs, & Plantings

Maintenance in common areas

X

Maintenance & replacement in patio areas

X

FEB 29 10 42 AM '84 ARTICLES OF INCORPORATION
OF

WATERSIDE DRIVE LONDONDERRY TOWNHOMES ASSOCIATION, INC.

In compliance with the requirements of the laws of the State of North Carolina, the undersigned, a resident of Wake County, North Carolina, and of full age, does this day form a corporation not for profit and does hereby certify:

ARTICLE I

The name of the corporation is WATERSIDE DRIVE LONDONDERRY TOWNHOMES ASSOCIATION, INC., hereafter called the "Association".

ARTICLE II

The principal and initial registered office of the Association is located at 2700 Wycliff Road, Raleigh, Wake County, North Carolina 27607.

ARTICLE III

David H. Bland, whose address is 2700 Wycliff Road, Raleigh, North Carolina 27607, is hereby appointed the initial registered agent of this Association.

ARTICLE IV

PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the residence Lots and Common Area within that certain tract of property described as Londonderry Townhomes, Phase III, as shown on the map recorded in Book of Maps 1984, Page 228, Wake County Registry, and any other properties which may be subsequently annexed thereto, and to promote the health, safety and welfare of the residents within the above described property. The Association shall have the following general powers and any other impliedly arising therefrom, to be exercised in the manner provided and in conformity with applicable laws, the Declaration hereinafter referred to, the Bylaws of the Association, and these Articles:

(a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded or to be recorded in the Office of the Register of Deeds of Wake County, North Carolina, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;

(b) To fix, levy, collect and enforce payments by any lawful means, of all charges or assessments pursuant to terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association, subject always to the provisions and requirements of the Declaration;

(c) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association, subject always to the provisions and requirements of the Declaration and limitations imposed by law.

(d) To borrow money, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject always to the provisions and requirements of the Declaration; and

(e) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise.

ARTICLE V

MEMBERSHIP

W. Ted Gossett, his heirs, successors and assigns (the "Declarant") for so long as he shall be record owner of a fee simple title to any Lot, and every person or entity who is a

record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership.

ARTICLE VI

VOTING RIGHTS

Section 1. The Association shall have two classes of voting membership.

Class A. Class A members shall be all those Owners as defined in Article V with the exception of the Declarant. Class A members shall be entitled to one vote for each Lot in which they hold the interest required for membership by Article V. When more than one person holds such interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot, and no fractional vote may be cast with respect to any Lot.

Class B. The Class B member shall be the Declarant as defined in the Declaration. The Class B member shall be entitled to three (3) votes for each Lot in which it holds the interest required for membership by Article V, provided that the 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 Class A membership equal the total votes outstanding in Class B membership, but provided that the Class B membership shall be reinstated if thereafter and before the time stated in Subparagraph (b) below, such additional lands are annexed to the properties as provided in the Declaration, or

(b) On December 31, 1990.

Section 2. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations.

ARTICLE VII

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of not less than three (3) nor more than nine (9) Directors, who need not be members of the Association. The number of Directors may be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to act in the capacity of directors until the selection and qualification of their successors are:

<u>NAME</u>	<u>ADDRESS</u>
W. Ted Gossett	4400 Falls of Neuse Road Raleigh, N. C. 27609
John McGhee	4400 Falls of Neuse Road Raleigh, N. C. 27609
Jordan H. Parker	4400 Falls of Neuse Road Raleigh, N. C. 27609

At the first annual meeting the members shall elect one-third of the directors for a term of one year, one-third of the directors for a term of two years and one-third of the directors for a term of three years; and at each annual meeting thereafter the members shall elect one-third of the directors for a term of three years, and until their successors are elected and qualified.

ARTICLE VIII

EXCHANGE OF COMMON AREA

The Association, acting through its Board, from time to time may exchange with Declarant or any member a portion of the Common Area for a portion of the real property owned by such member within Londonderry Townhomes, Phase III, provided that the real property acquired by the Association in the exchange: (a) is free and clear of all encumbrances except the Declaration, and easements for drainage, utilities, and sewers; (b) is contiguous to other portions of the Common Area; and (c) has approximately the same area and utility as the portion of the Common Area

exchanged. The real property so acquired by the Association shall be a part of the Common Area, and, without further act of the Association or membership, shall be released from any provisions of the Declaration except those applicable to the Common Area. The portion of the Common Area so acquired by Declarant or a member, without further act of the Association or membership, shall cease to be Common Area and shall be subject to those provisions of the Declaration that were applicable to the real property conveyed to the Association by the member.

ARTICLE IX

MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit corporations organized for the same or similar purposes, provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any.

ARTICLE X

AUTHORITY TO MORTGAGE

Any mortgage by the Association of the Common Area defined in the Declaration shall have the assent of members entitled to cast two-thirds (2/3) of the votes of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any.

ARTICLE XI

AUTHORITY TO DEDICATE

The Association shall have power to dedicate, sell or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by members entitled to cast two-thirds (2/3) of the votes of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any, agreeing to such dedication, sale or transfer.

As to lenders and purchasers for value, the certification by the Secretary of the Association that the required number of members have executed instruments in conformity with this Article, shall be conclusive as to the fact recited by such certification and shall be binding upon the Association and all of its members.

ARTICLE XII

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than seventy percent (70%) of the entire Class A membership and seventy percent (70%) of the entire Class B membership, if any. Upon dissolution of the Association, a dedication of the Common Areas as they then exist for public use for purposes as similar to those to which they were required to be devoted by the Association, shall be offered to the appropriate unit of local government and the areas thus dedicated shall be conveyed to the local governmental unit, provided that such dedication shall be subject to the superior right of the owner of each Lot to an easement for reasonable ingress and egress between his Lot and the public street as well as an easement for the exclusive use of Limited Common Area assigned to such owner's Lot and for reasonable off-street parking area to accompany his Lot; and provided further, that the Association may in its discretion designate the boundaries of said easement for off-street parking and said area for ingress and egress which shall accompany each Lot. In the event that the local governmental unit refuses to accept such dedication and conveyance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to purposes and uses that would most nearly reflect the purposes and uses to which they were required to be devoted by the Association. This Corporation shall have no capital stock. In the event of dissolution, no member, director or officer of the Corporation or any private individual shall be entitled to share in the distribution of the assets of this Corporation.

ARTICLE XIII

DURATION

The corporation shall exist perpetually.

ARTICLE XIV

AMENDMENTS

Section 1. Amendment by Membership. Except as herein provided, any amendment of these Articles shall require the assent of members or proxies entitled to cast seventy-five percent (75%) of the entire vote of the Class A and Class B membership. In the event that the Class B membership has been converted to Class A membership, such amendment shall require the assent of members or proxies entitled to cast seventy-five percent (75%) of the entire Class A membership.

Section 2. Amendment by Declarant or Association. These Articles may be amended by the Declarant prior to conversion of Class B to Class A membership and, after conversion, by the Board of Directors of the Association, without the consent of the members, to the extent necessary, and only to the extent necessary, to achieve or maintain the tax-exempt status of the Association, or to permit the Properties (as defined in the Declaration), or any portion thereof, or the Association to qualify for loans made or insured by the Federal Housing Administration or the Veterans Administration, or their successor agencies, or any other agency of government, or government sponsored agency, including without limitation, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

ARTICLE XV

FHA/VA APPROVAL

Notwithstanding any provisions in this instrument to the contrary, as long as there is a Class B membership, and if Declarant desires to qualify sections of this subdivision for Federal Housing Administration or Veterans Administration approval (but not otherwise), the following actions will require the prior approval of Federal Housing Administration or the

Veterans Administration: Annexation of additional properties, dedication of Common Areas, exchange of Common Area for other portions of the Properties, amendment of these Articles of Incorporation, mergers and consolidations, mortgaging of Common Area and dissolution.

ARTICLE XVI

ANNEXATION OF ADDITIONAL PROPERTIES

(a) Annexation of additional property shall require the assent of two-thirds (2/3) of the Class A membership and two-thirds (2/3) of the Class B membership, if any.

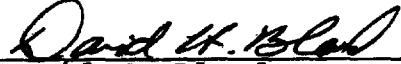
(b) Annexation of additional Properties shall be accomplished by recording in the Wake County Registry a Declaration of Annexation, duly executed by the Association, describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions therein. The additional lands shall be deemed annexed to the Properties on the date of recordation of the Declaration of Annexation, and no action or consent on the part of any other person or entity shall be necessary to accomplish the annexation except the City of Raleigh if required by its ordinances.

(c) Subsequent to recordation of the Declaration of Annexation by the Declarant, the Declarant shall deliver to the Association one or more deeds conveying any Common Area within the lands annexed as such Common Area is developed, as set forth in Article V, Section 3 of the Declaration.

ARTICLE XVII

The name and address of the incorporator is David H. Bland, 212 Concannon Court, Cary, North Carolina 27511.

IN WITNESS WHEREOF, for the purpose of forming this Corporation under the laws of the State of North Carolina, I, the undersigned, constituting the incorporator of this Association, have executed these Articles of Incorporation this the 29th day of February, 1984.


David H. Bland (SEAL)

NORTH CAROLINA
WAKE COUNTY

I, the undersigned, a Notary Public in and for said State and County do hereby certify that DAVID H. BLAND personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal this the 28th day of February, 1984.

Kaye M. Horton
Notary Public

My Commission Expires:



ADAMS, DORTON & BLAND
P.O. BOX 31388
RALEIGH, NORTH CAROLINA 27622

BOOK 3245 PAGE 730

NORTH CAROLINA
WAKE COUNTY

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR LONDONDERRY
TOWNHOMES, PHASE III, RECORDED IN
BOOK OF MAPS 1984, PAGE 228, WAKE
COUNTY REGISTRY

THIS DECLARATION, made on the date hereinafter set forth by
W. Ted Gossett, of Raleigh, North Carolina, hereinafter referred
to as the "Declarant;"

WITNESSETH: THAT WHEREAS, the Declarant is the owner of
certain property in the City of Raleigh, Wake County, North
Carolina, consisting of approximately 9.89 acres which
particularly described as Londonderry Townhomes, Phase III,
the same is shown on the map recorded in Book of Maps
228, Wake County Registry; and

WHEREAS, Declarant will convey the said properties, subject
to certain protective covenants, conditions, restrictions,
reservations, liens and charges as hereinafter set forth;

NOW, THEREFORE, Declarant hereby declares that all of the
properties described above shall be held, sold and conveyed
subject to the following easements, restrictions, covenants and
conditions, all of which are for the purpose of enhancing and
protecting the value, desirability, and attractiveness of the
real property. These easements, covenants, restrictions, and
conditions shall run with the real property and shall be binding
on all parties having or acquiring any right, title or interest
in the described properties or any part thereof, and shall inure
to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to WATERSIDE
DRIVE LONDONDERRY TOWNHOMES ASSOCIATION, INC., its successors and
assigns.

Section 2. "Properties" shall mean and refer to that
certain real property hereinbefore described, and such additions
thereto as may hereafter be brought within the jurisdiction of
the Association.

PRESENTED
FOR
REGISTRATION
FEB 24 10 54 AM '84
EMMETT C. WILKINS
REGISTER OF DEEDS
WAKE COUNTY

Section 3. "Common Area" shall mean all real property and amenities located thereon owned by the Association for the common use and enjoyment of members or designated classes of members of the Association, including Limited Common Area, all water lines outside city streets which serve Londonderry Townhomes, Phase III, and all sewer lines outside of city streets or city easements which serve Londonderry Townhomes, Phase III.

Section 4. "Limited Common Area" shall mean those portions of the Common Area that serve only a limited number of lots and which may include, but specifically is not limited to, driveways and walkways, parking lots or areas serving only specified lots, and such other similar areas as may be designated by the Association.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded map of a portion of the properties which shows how a "building block" is divided into plots, with the exception of the Common Area and Limited Common Areas.

Section 6. "Lot in Use" shall mean and refer to any lot on which a dwelling unit has been fully constructed and either made ready for occupancy as a dwelling unit, including, without limitation, completion of the installation of final floor covering, interior paint and wallpaper and all appliances or for which a certificate of occupancy has been issued by the City of Raleigh. In addition to the foregoing, a Lot may become a Lot in Use by contractual agreement between the Declarant and the Owner of such Lot.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 9. "Declarant" shall mean and refer to W. Ted Gossett, his heirs, successors and assigns to whom the rights of Declarant hereunder are expressly transferred, in whole or in

part, and subject to such terms and conditions as the Declarants may impose.

Section 10. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee, or other legal entity.

Section 11. "Building" shall mean and refer to a multi-unit structure containing townhomes, constructed or erected on the Property.

Section 12. "Board of Directors" or "Board" means those persons elected or appointed and acting collectively as the Directors of the Association.

Section 13. "Common Expenses" shall mean and include:

(a) All sums lawfully assessed by the Association against its members;

(b) Expenses for maintenance of the townhomes and private streets as provided in this Declaration;

(c) Expenses of administration, maintenance, repair, or replacement of the Common Areas and Limited Common Areas;

(d) Expenses declared to be common expenses by the provisions of this Declaration or the Bylaws;

(e) Hazard, liability, or such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase;

(f) Ad valorem taxes and public assessment charges lawfully levied against common areas;

(g) Expenses agreed by the members to be common expenses of the Association; and

(h) Unpaid assessments resulting from the purchase of a townhome at a foreclosure sale (such assessment shall be collectible from all members of the Association, including the purchaser at the foreclosure sale, his successors and assigns).

Section 14. "Townhome" shall mean and refer to a dwelling or place of residence constructed upon a Lot within the Property and constituting a part of a building.

Section 15. "Amenities" shall mean the facilities constructed, erected or installed on the Common Areas for the use, benefit and enjoyment of Members.

ARTICLE II

ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation of additional Property shall require the assent of two-thirds (2/3) of the Class A membership and two-thirds (2/3) of the Class B membership, if any.

Section 2. Annexation of additional Properties shall be accomplished by recording in the Wake County Registry a Declaration of Annexation, duly executed by the Association if pursuant to Section 1 above, describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions of this Declaration. The additional lands shall be deemed annexed to the Properties on the date of recordation of the Declaration of Annexation, and no action or consent on the part of any other person or entity shall be necessary to accomplish the annexation except the City of Raleigh if required by its ordinances.

Section 4. Subsequent to recordation of the Declaration of Annexation by the Declarant, the Declarant shall deliver to the Association one or more deeds conveying any Common Area within the lands annexed as such Common Area is developed, as set forth in Article V, Sections 3 and 4 of this Declaration.

ARTICLE III

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No Owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership. The

Board of Directors may make reasonable rules relating to the proof of ownership of a Lot in this Subdivision.

ARTICLE IV

VOTING RIGHTS

Section 1. The Association shall have two classes of voting membership:

Class A. Class A members shall be all those Owners as defined in Article III with the exception of the Declarant. Class A members shall be entitled to one vote for each Lot in which they hold the interest required for membership by Article III. When more than one person holds such interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot and no fractional vote may be cast with respect to any Lot.

Class B. The Class B member shall be the Declarant. The Class B member shall be entitled to three (3) votes for each Lot in which he holds the interest required for membership by Article III, provided, that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs first:

(a) when the total votes outstanding in Class A membership equal the total votes outstanding in Class B membership, but provided that the Class B membership shall be reinstated if thereafter and before the time stated in subparagraph (b) below, additional lands are annexed to the Properties as provided for in Article II, or

(b) on December 31, 1990.

Section 2. The right of any Member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations.

ARTICLE V

PROPERTY RIGHTS

Section 1. Members' Easements of Enjoyment. Every member shall have a right and easement of enjoyment in and to the Common

Area and such easement shall be appurtenant to and shall pass with the right to every Lot, subject to the following provisions:

(a) The right of the Association, in accordance with its Articles and Bylaws and with the assent of members entitled to cast two-thirds (2/3) of the votes of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property unless prohibited by law, and the rights of such mortgagee in said properties shall be subordinate to the rights of the homeowners hereunder;

(b) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members; provided, however, that no conveyance of Limited Common Area shall deprive any Member of the full use thereof. No such dedication or transfer shall be effective unless an instrument signed by Members entitled to cast two-thirds (2/3) of the votes of the Class A membership and two-thirds (2/3) of the votes of the Class B membership, if any, has been recorded, agreeing to such dedication or transfer, and unless written notice of the proposed action is sent to every Member not less than 30 days nor more than 60 days in advance; and

(c) The right of the individual members to the exclusive use of parking spaces as provided in this Article.

Section 2. Delegation of Use. Any Member may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Area and facilities to the Members of his family, his tenants, or contract purchasers who reside on the Property.

Section 3. Title to the Common Area. The Declarant hereby covenants for itself, its heirs and assigns, that it will convey fee simple title to the Common Area shown on the aforementioned map recorded in Book of Maps 1984, Page 228, Wake County Registry, to the Association, free and clear of all encumbrances and liens, prior to the conveyance of the first Lot, except

utility and drainage easements and easements to governmental authorities.

Section 4. Parking Rights. Ownership of each Lot with a one or two bedroom townhouse constructed on it shall entitle the Owner or Owners thereof to the use of not more than two automobile parking spaces. Said spaces shall be as near and convenient to said Lot as reasonably possible, together with the right of ingress and egress in and upon said parking areas. The Association may regulate the parking of boats, trailers and other such items on the Common Area. No boats, trailers, campers, motor homes, trucks or tractors owned by a member, his guests, or family members shall be parked within the right of way of any public or private street in or adjacent to Londonderry Townhomes; nor shall any of these be regularly parked on the Properties except in areas designated by the Association. The Association shall from time to time adopt appropriate rules for the temporary parking of these items on the Properties.

Section 5. TV Antennas. The Association may provide one or more central television antennas for the convenience of the members and the cost of this may be included in annual or special assessments. The Association may regulate or prohibit the erection of television antennas on individual lots.

ARTICLE VI

COVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot in Use owned within the Property upon which a townhome has been constructed, hereby covenants, and every other owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association:

- (a) Annual assessments or charges which are common expenses;
- (b) Special assessments for capital improvements; and
- (c) Special assessments for purchase and reconstruction of townhomes as hereinafter provided.

Notwithstanding any provision herein to the contrary, the assessment for each lot which is not a Lot in Use shall be twenty-five percent (25%) of the assessment of a Lot in Use.

Such assessments shall be fixed, established, and collected from time to time as hereinafter provided.

The annual and special assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the lot and improvements against which each such assessment is made. Each such assessment, together with such interest and costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the owner of the Lot at the time the assessment fell due. The personal obligation of an owner for delinquent assessments shall not pass to his successors in title unless expressly assumed by them. All assessments shall be shared equally by the owners of each Lot, except as otherwise provided in this section.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for promoting the recreation, health, safety, and welfare of the residents and the Property; enforcing these covenants and the rules of the Association; improving and maintaining the Property and the townhomes situated thereon; paying all common expenses; and providing the services and facilities for purposes of and related to the use and enjoyment of the common area and facilities.

Section 3. Amount of Assessment.

(a) Initial Assessment. To and including December 31, 1984, the initial annual assessment shall not be in excess of Six Hundred and No/100 Dollars (\$600.00) per Lot in Use, the exact amount of which shall be determined from time to time as provided in Subsection (d) of this Section 3.

(b) Increase by Association. From and after December 31, 1984, the annual assessment effective for any year may be increased from and after January 1 of the succeeding year by the Board of Directors, without a vote of the membership, by a percentage which may not exceed the greater of five (5%) percent

or the percentage increase reflected in the U.S. City Average, Consumer Price Index - United States and selected areas for urban wage earners and clerical workers, all items most recent index and percentage changes from selected dates (published by the U. S. Bureau of Labor Statistics, Washington, D. C.), or such other Index as may succeed the Consumer Price Index, for the twelve-month period ending the immediately preceding October 1.

(c) Increase by Members. From and after December 31, 1984, the annual assessment may be increased by a percentage greater than permitted by this Article by an affirmative vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for such purpose, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The limitations herein set forth shall not apply to any increase in assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(d) Criteria for Establishing Annual Assessment. In establishing the annual assessment for any assessment year, the Board of Directors shall consider all current costs and expenses of the Association, any accrued debts, and reserves for future needs, but it may not fix the annual assessment in an amount in excess of five (5%) percent or the sums derived by application of the Consumer Price Index formula provided in Subsection (b) without the consent of members required by Subsection (c) of this Section 3.

(e) The Board of Directors may decrease the annual assessment from time to time if in its opinion such decrease is prudent.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the costs of construction or

reconstruction, unexpected repair, or replacement of a described capital improvement upon the common area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The amount of the proposed assessment need not be stated.

Section 5. Special Assessments for the Purchase and Reconstruction of Townhomes. In the event that any townhome located on the Property is substantially destroyed by fire or other hazard, the owner shall give written notice to the Association within thirty (30) days following such destruction of whether he intends to repair or reconstruct the townhome; and if the owner fails to give such notice to the Association, it shall be conclusively considered, for purposes of this Section, as notice that he does not intend to repair or reconstruct the townhome. For purposes of this section "substantially destroyed" shall mean that the costs of replacement or repair equals at least fifty percent (50%) of the appraised value of the improvements on the lot before they were damaged. If the owner elects not to repair or reconstruct the townhome, the Association shall have the first right and option to purchase such unit in the manner hereinafter provided. The purchase option shall be effective for a period of ninety (90) days following notice of the owner's election not to repair or reconstruct.

(a) Exercise of Option. The Board of Directors shall appoint a committee, or shall designate an existing committee of the Association, to determine whether failure to reconstruct the damaged townhome will result in substantial pecuniary injury to the Association or diminution in value of the remaining Property. The committee may employ such persons, including, but not limited to, real estate appraisers, realtors, architects, and engineers, as are reasonably necessary to make its determination, and shall

BOOK 3245 PAGE 740

report its conclusions, with supporting data, in writing to the Board within fifteen (15) days. The report shall set forth such Tatters as the Board and committee deem pertinent, but shall contain estimates of the pecuniary injury and diminution in value along with an estimate of the cost of purchase and reconstruction of the townhome.

If the Board of Directors determines that it would be advantageous to the Association and/or to the remaining Property to purchase and reconstruct the townhome, it shall call a special meeting by giving written notice thereof, setting forth the purpose of the meeting, to all members within seven (7) days following submission of the committee report. The special meeting of members shall be held not less than seven (7) days nor more than fifteen (15) days following notice to members. Upon an affirmative vote of at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of each class of membership present and voting, the Board will be authorized to purchase and reconstruct the townhome and to assess all lots equally for all costs and expenses arising out of the purchase and repair or reconstruction of the townhome. The Board may require that the assessment be paid in a lump sum, in installments during an assessment year, or over a period of two (2) or more assessment years, as the Board, in its discretion, shall determine to be appropriate.

Such an assessment shall be in addition to, and not in lieu of, the annual assessments provided for in Section 3 and the special assessments provided for in Section 4 of this Article.

(b) Determination of Value. The owner of the townhome shall convey marketable title thereto to the Association upon payment to the owner by the Association of the fair market value of the lot and townhome in its damaged condition. Fair market value shall be determined in any manner agreed upon by the Association and the owner. If they cannot otherwise agree on a fair market value or method of determining fair market value, each shall appoint an appraiser and those two appraisers shall appoint a third appraiser. The fair market value as determined by any two of these three appraisers shall be final and binding

on all parties. Each party shall pay the fee of the appraiser selected by it or him, and each party shall pay one-half (1/2) of the fee of the third appraiser. If the Board and the owner agree upon a single appraiser, each shall pay one-half (1/2) the cost of the appraisal.

(c) Application of Insurance Proceeds. The owner of the townhome, prior to conveyance to the Association, shall apply or cause to be applied so much of the proceeds of any hazard insurance paid by reason of the damage or destruction of the townhome as shall be necessary to pay all liens, mortgages, deeds of trust, taxes and encumbrances upon the lot so that the fee simple marketable title thereto may be conveyed free and clear of all liens and encumbrances. If the insurance proceeds are not sufficient to pay all liens, encumbrances, and obligations upon the lot, the purchase price shall be reduced by an amount adequate to pay any such deficiency.

(d) Failure to Exercise Option. If the Association does not exercise the purchase option herein provided for, the owner may retain the lot or may transfer or convey it, upon such terms and conditions as he may elect, to any person, to be used solely as a site of an attached, single-family townhome unit. The reconstructed or repaired townhome unit shall be substantially identical to the destroyed townhome unit, unless a change shall be approved by the Board, and shall be constructed in conformity with plans submitted to and approved by the Board prior to construction.

(e) Retention by Owner. If a townhome is not habitable by reason of damage, and the owner gives notice of his election to repair or reconstruct the townhome, the obligation of the owner to pay annual assessment installments shall not be suspended. In the event a townhome is damaged or destroyed, or the owner does not begin repair or reconstruction within thirty (30) days following the damage or destruction, he shall remove or cause to be removed, at his expense, all debris from the lot, so that it shall be placed in a neat, clean, and safe condition and if he fails to do so, the Association may cause the debris to be

removed, and the cost of removal shall constitute a lien upon the townhome and its lot until paid by the owner, unless the lot is thereafter acquired by the Association.

(f) Reconstruction by the Association. Upon acquisition of title to the townhome, the Association is authorized to arrange such financing and execute such notes, mortgages, deeds of trust, and other instruments, to enter into such contracts, and to do and perform such other matters and things as are necessary to accomplish the reconstruction of the townhome; provided, however, that only that townhome which is to be reconstructed shall stand as security for any liens, mortgages, or obligations arising out of the purchase or reconstruction of the townhome, and no other portion of the Property, including the limited common area and facilities, shall be pledged, hypothecated, mortgaged, deeded in trust, or otherwise given as security for any obligations arising out of said purchase or reconstruction, and no member shall be required to become personally obligated therefor.

The Association shall hold title to the lot and improvements for the benefit of all members. The Board may lease or sell the lot and improvements upon such terms and conditions as it, in its discretion, deems most advantageous to the members. The lease rental shall be applied in the following order of priority: (1) to the payment of taxes, assessments, liens, encumbrances, and obligations on or secured by the lot; (2) to the maintenance, upkeep, and repair of the townhome; (3) to payment or repayment to the members, pro rata, of the special assessment, if any, for purchase and reconstruction of the townhome; and (4) to the general expenses of the Association. In the event the lot is sold, the purchase price shall be applied in the following order of priority: (1) to the payment of taxes, assessments, liens, encumbrances, and obligations on or secured by the lot; (2) to payment or repayment to the members, pro rata, of the special assessment, if any, for purchase and reconstruction of the townhome; and (3) to the general expenses of the Association. Any payment or repayment to members of the special assessment may

be in cash or may be applied to the annual assessment due or to become due.

(g) Application of Declaration and Bylaws. Any townhome (including the lot on which it was constructed) which is destroyed and not subsequently restored or reconstructed and any townhome which has been destroyed in whole or in part, by fire or other casualty, and is subsequently restored or reconstructed, shall be subject to the provisions of this Declaration and to the Bylaws of the Association.

Section 6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all lots and lots in use, on a per lot and per lot in use basis, and may be collected on a monthly basis.

Section 7. Quorum for any Action Authorized Under Sections 3, 4, and 5. At the first meeting called, as provided in Section 3, 4, and 5 of this Article, the presence at the meeting of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, subsequent meetings may be called, subject to the notice requirement set forth in Sections 3, 4, and 5, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the next preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the next preceding meeting.

Section 8. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided herein for Lots in Use, and Lots shall be paid in equal monthly installments and the payment of such shall commence as to each lot in use and Lot on the first day of the first month following the date that all common area adjacent to the lot in use or lot in question has been conveyed to the Association. Notwithstanding the foregoing, the Declarant may, at its election, postpone in whole or in part, the date on which any assessment shall commence provided that the Declarant maintains the Common Areas for which no assessment is being collected during the period of such postponement. The

first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner subject thereto. The due dates shall be established by the Board of Directors. The Association, upon demand at any time, shall furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

Section 9. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments or portion thereof which are not paid when due shall be delinquent. If the assessment or portion thereof is not paid within thirty (30) days after the due date, the same shall bear interest from the date of delinquency at the highest rate then permitted by the regulations of the Federal Housing Administration (FHA) and the regulations of the Veterans Administration (VA); provided, however, that if highest rate permitted by FHA and VA are not the same, the interest rate shall be the lower of rates permitted by these two agencies. The Association may bring an action against the owner personally obligated to pay the same, and interest, costs, late payment charges and reasonable attorney's fees of any such action shall be added to the amount of such assessment. If any law permits the filing of a lien and the foreclosure of such lien, or other similar action, as a method of enforcement of the Association's right to collect assessments, the Association may use such remedy. No owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the common area or abandonment of his lot.

Section 10. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein on any lot shall be subordinate to the lien of any first mortgage on such lot. The sale of a lot to a bona fide purchaser for value and the sale or

MO 3245 MC 745

transfer of any lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sales or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Exempt Property. Any portion of the Property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein, except no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE VII

EXTERIOR MAINTENANCE

In addition to maintenance of the limited common area, the Association shall provide maintenance of Common Areas (and all amenities and structures located therein) and exterior maintenance upon each townhome which is subject to assessment hereunder, as follows: Stain and/or paint all exteriors, replace roofs, replace, repair and care for walks, trees, shrubs, grass and other such exterior improvements, and clean and repair gutters (if any). Such exterior maintenance shall not include glass surfaces.

Any owner who fences or encloses or screens by plants or structures the rear portion of his lot (which fence, enclosure and screen shall require the prior approval of the Association), may plant trees, shrubs, flowers, and grass in the fenced or enclosed portion as he elects and shall maintain the fenced or enclosed portion at his own expense, provided that such maintenance does not hinder the Association in performing its maintenance duties as to the townhome, the remaining yard spaces, or the limited common area. No such maintenance by an owner shall reduce the assessment payable by him to the Association. If, in the opinion of the Association, any such owner fails to maintain his rear yard in a neat and orderly manner, the

Association may revoke the owner's maintenance rights for a period not to exceed one year and the Association shall perform maintenance during the revocation period. The owner shall not plant any vegetation (specifically including, but not limited to flowers, trees, shrubs, vegetables, vines and moss) in front of his townhome except with the prior written approval of the Association.

In the event that the need for maintenance or repair of a lot or the improvements thereon is caused through the willful or negligent acts of its owner, or his family, tenants, contract purchasers, guests, or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, or smoke, as the foregoing are defined and explained in North Carolina standard fire and extended coverage insurance policies, or for the purpose of correcting, repairing or alleviating any emergency condition provided for in Article XI, Section 5, (but only if such would normally be an expense of the lot owner), the cost of such maintenance, replacement, or repairs shall be added to and become a part of the assessment to which such lot is subject.

ARTICLE VIII

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the townhomes upon the property 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 Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty 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 owner to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, 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.

Section 5. Right to Contribution Does Not Run With Land. The right of any owner to contribution from any other owner under this Article shall not be appurtenant to the land and shall not pass to such owner's successors in title.

Section 6. Easement and Right of Entry for Repair, Maintenance, and Reconstruction. Every owner shall have an easement and right of entry upon the lot of any other owner to the extent reasonably necessary to perform repair, maintenance, or reconstruction of a party wall and those improvements belonging to one lot which encroach on an adjoining lot or common area. Such repair, maintenance, or reconstruction shall be done expeditiously, and, upon completion of the work, the owner shall restore the adjoining lot or lots to as near the same condition as that which prevailed prior to commencement of the work as is reasonably practicable.

Section 7. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, such dispute shall be settled by arbitration as provided under the laws of the State of North Carolina as they now are or are hereafter amended.

ARTICLE IX

ARCHITECTURAL CONTROL & INSPECTION

No site preparation or initial construction, erection, or installation of any improvements, including, but not limited to, residences, outbuildings, fences, walls, screens (whether by

plants or structures) and other structures, shall be undertaken upon the Properties unless the plans and specifications therefor, showing the nature, kind, shape, height, materials, and location of the proposed improvements shall have been submitted to the Declarant or its agent and expressly approved in writing. No subsequent alteration or modification of any existing improvements nor construction, erection, or installation of additional improvements may be undertaken on any of the Properties without prior review and express written approval of the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board.

In general, no exterior alterations or additions to buildings shall be considered for approval unless such alterations or additions are in harmony with existing structures, as to style, shape, color and size. However, this section shall not be construed to mean that the Architectural Committee or Board shall have to approve a proposed alteration or addition that meets the above criteria.

In general, the construction or planting of fences, walls, screens, and other structures will not be permitted if in the opinion of the Declarant, Board, or Architectural Committee, as applicable, such construction or planting constitutes an unreasonable obstruction of the view of another owner.

In the event that the Declarant or the Association, as the case may be, fails to approve or disapprove the site or design of any proposed improvements within thirty (30) days after plans and specifications therefor have been submitted and received, approval will not be required, and the requirements of this Article will be deemed to have been fully met; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Declarant or the Association if they contain erroneous data or fail to present adequate information upon which the Declarant or the Association, as the case may be, can arrive at a decision.

The Declarant and/or the Association (as applicable) shall have the right, at its election, but shall not be required, to enter upon any of the Properties during site preparation or construction, erection, or installation of improvements to inspect the work being undertaken and to determine that such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

ARTICLE X

USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, amend, publish, and enforce reasonable rules and regulations concerning the use and enjoyment of the front yard space of each lot and the common area. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolution which shall be maintained in a place convenient to the owners and available to them for inspection during normal business hours.

Section 2. Use of Property. Each building, the townhomes therein, and the common area and facilities shall be for the following uses and subject to the following restrictions, and, in addition, to those set forth in the Bylaws:

(a) All buildings and the common area and facilities shall be used for residential and related common purposes. Each townhome shall be used as a single-family residence and for no other purpose, except that the Declarant may use one or more townhomes for offices and/or model townhomes for sales purposes consistent with the Code of Ordinances of Raleigh. However, a resident, upon approval of the Board of Directors, may operate an office in his unit upon such terms and conditions as the Board of Directors may direct, provided the necessary approval is also secured from the City of Raleigh.

(b) Nothing shall be kept and no activity shall be carried on in any building or townhome or on the common area and facilities which will increase the rate of insurance, applicable

to residential use, for the Property or the contents thereof. No owner shall do or keep anything, nor cause or allow anything to be done or kept, in his townhome or on the common area and facilities which will result in the cancellation of insurance on any portion of the Property, or the contents thereof, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the common area and facilities.

(c) No immoral, improper, offensive, or unlawful use shall be made of the Property, or any part thereof, and all valid laws, ordinances, and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, order, rules, regulations or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the Property, shall be complied with, by and at the sole expense of the owner or the Association, whichever shall have the obligation to maintain or repair such portion of the Property.

(d) Nothing shall be done in or to any townhome or in, to, or upon any of the common area and facilities which will impair the structural integrity of any building, townhome, or portion of the common area and facilities or which would impair or alter the exterior of any building or portion thereof, except in the manner provided in this Declaration.

(e) No industry, business, trade, occupation, or profession of any kind, whether commercial or otherwise, shall be conducted, maintained, or permitted on any part of the Property, except as set out in (a) of this section.

(f) No owner shall display, or cause or allow to be displayed, to public view any sign, placard, poster, billboard, or identifying name or number upon any townhome, building, or any portion of the common area and facilities, except as allowed by the Association pursuant to its bylaws (A unit owner shall be allowed to erect a "For Sale" or "For Rent" sign upon such terms and conditions as set by the Board of Directors.); provided, however, that the Declarant and any mortgagee who may become the owner of any unit, or their respective agents, may place "For

"Sale" or "For Rent" signs on any unsold or unoccupied townhomes and in suitable places on the common area; provided, however, that during the development of the Property and the marketing of townhomes, the Declarant may maintain a sales office and may erect and display such signs as the Declarant deems appropriate as aids to such development and marketing, provided that such signs do not violate any applicable laws.

(g) No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the common area and facilities except at the direction or with the express written consent of the Association.

(h) The common area and facilities shall be used only for the purposes for which they are intended and reasonably suited and which are incident to the use and occupancy of the townhomes, subject to any rules or regulations that may be adopted by the Association pursuant to its bylaws.

Section 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Property, nor shall anything be done which may be or may become a nuisance or annoyance to residents within the Property.

ARTICLE XI

EASEMENTS

Section 1. Walks, Drives, Parking Areas and Utilities. All of the Property, including lots and common area, shall be subject to such easements for private streets, driveways, walkways, parking areas, water lines, irrigation systems, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines, cable television and other public utilities as shall be established prior to subjecting the Property to this Declaration by the Declarant, and the Association shall have the power and authority to grant and to establish in, over, upon, and across the common area conveyed to it such further easements as are requisite for the convenient use and enjoyment of the Property.

The Declarant reserves the right to subject the real property covered by this Declaration to a contract with Carolina

BOOK 3245 PAGE 732

Power and Light Company for the installation of underground electric cables and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power and Light Company by the owner of each building.

Section 2. Easements Appurtenant to Lots. All private streets shall be subject to an easement in favor of every Lot to which they are adjacent or which they are designated to serve and shall be deemed appurtenant to each such Lot, whereby the owner of each such Lot shall be entitled to use them as a means of ingress, egress and regress and such other uses as shall have been designated. Such easement shall be superior to the lien of every mortgage or deed of trust.

Section 3. Encroachments. All lots and the common area shall be subject to easements for the encroachment of initial improvements constructed on adjacent lots by the Declarant to the extent that such initial improvements actually encroach, including, without limitation, such items as overhanging eaves, gutters, downspouts, exterior storage rooms and walls. If any encroachment shall occur subsequent to subjecting the Property to this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and shall be a valid easement for such encroachment and for the maintenance of the same. Every lot shall be subject to an easement for entry and encroachment by the Declarant for a period not to exceed eighteen (18) months following conveyance of a lot to an owner for the purpose of correcting any and to protect the Guardian, regarding grading and drainage. The Declarant, upon making entry for such purpose, shall restore the affected lot or lots to as near the original condition as practicable.

Section 4. Structural Support. Every portion of a townhome which contributes to the structural support of the building shall be burdened with an easement of structural support for the benefit of all other townhomes within the building.

3245 703

Section 5. Emergencies. Every lot and townhome shall be subject to an easement for entry by the Association for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any lot or within any townhome and that endangers any building or portion of the common area.

Section 6. Easement for Governmental Agencies. An easement is hereby established over the Common Area for the benefit of applicable governmental agencies, public utility companies and public service agencies as necessary for setting, removing and reading of meters, replacing and maintaining water, sewer and drainage facilities, electrical, telephone, gas and cable antenna lines, fire fighting, garbage collection, postal delivery, emergency and rescue activities and law enforcement activities.

Section 7. City Greenways. The Association shall not erect any barrier, fence, wall or take any action which would be inconsistent with any City of Raleigh greenway or greenway program located in the Common Area, including the removal of trees and and vegetation from the greenway. On said City of Raleigh greenway, the City of Raleigh shall have the right to construct trails, erect signs, conduct education programs and to place litter receptacles.

ARTICLE XII

RIGHTS OF INSTITUTIONAL LENDERS

Section 1. Rights Reserved to Institutional Lenders.

"Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, insurance companies, other reputable mortgage lenders and insurers of first mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any Lot, or shall be the owner of any Lot, such Institutional Lender or Institutional Lenders shall have the following rights:

A. To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, prepared by a Certified Public Accountant designated by the Association, including a detailed statement of annual carrying charges or

BOOK 3245 PAGE 734

income collected and operating expenses, such Financial Statement and Report to be furnished by April 15 of each calendar year.

B. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to the Declaration, or the Articles of Incorporation and Bylaws of the Association, which notice shall state the nature of the amendment being proposed, and to be given permission to designate a representative to attend all such meetings.

C. To be given notice of default in the payment of assessments by any owner of a Lot encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing to the Association.

D. To inspect the books and records of the Association during normal business hours.

E. To be given notice by the Association of any substantial damage to any part of the Common Areas.

F. To be given notice by the Association if any portion of the Common Area, is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority.

Whenever any Institutional Lender desires the benefits of the provisions of this section, such lender shall serve written notice of such fact upon the Association by registered mail or certified mail addressed to the Association and sent to its address stated herein identifying the Lot upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any Lot owned by them, or any of them, together with sufficient pertinent facts to identify any to the extent possible, from suffering any signifiem, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender.

ARTICLE XIII

BOOK 3245 PAGE 705

GENERAL PROVISIONS

Section 1. Providing for Traffic Flow. It shall be the responsibility of the Association to maintain uninterrupted traffic flow along all private streets within the Properties. If it is necessary for "no parking" signs, street lights or other necessary traffic aides to be erected in order to accomplish this, this shall be done at the expense of the Association as a common expense.

In no case shall the municipality or other agency which provides emergency or regular fire, police or other public service for the Properties, be responsible for failing to provide any such service to the Properties or any of its occupants when such failure is due to the lack of access to such areas due to inadequate design or construction, blocking of access routes, or any other factor within the control of the developer, Association, or occupants.

Section 2. Enforcement. The Association, or any owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 3. Insurance. Every owner shall maintain in full force and effect at all times fire and hazard insurance in an amount equal to the full insurable value of his townhome except that the amount shall not be required to exceed the replacement cost of the townhome. An owner shall exhibit to the Board, upon demand, evidence that such insurance is in effect. If any owner shall fail to maintain such insurance, the Board is authorized to obtain such insurance in the name of the owner from an insurer selected by the Board, and the cost of such insurance shall be included in the annual assessment of the owner and shall constitute a lien against his lot until paid.

The Board of Directors shall procure and maintain adequate liability and hazard insurance on property owned by the Association.

(Recommendation to owners - If a townhome is damaged by fire or other casualty, and if such damage results in damage to an adjacent attached unit, there may be prolonged disputes between the insurance carriers of the adjacent damaged units (which may, in turn, delay the settlement of claims) unless the insurance protection on both units is provided by the same carrier. It is therefore recommended that the owners of all townhomes located within each building purchase their fire and casualty insurance from the same insurance carrier.)

Section 4. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Section 5. Exchange of Common Area. The Association, acting through its Board, from time to time may exchange with Declarant or any member a portion of the Common Area for a portion of the real property owned by such member within Londonderry Townhomes, Phase III, provided that the real property acquired by the Association in the exchange; (a) is free and clear of all encumbrances except the Declaration, and easements for drainage, utilities, and sewers; (b) is contiguous to other portions of the Common area; and (c) has approximately the same area and utility as the portion of the Common Area exchanged. The real property so acquired by the Association shall be a part of the Common Area, and, without further act of the Association or membership, shall be released from any provisions of the Declaration except those applicable to the Common Area. The portion of the Common Area so acquired by Declarant or a member, without further act of the Association or membership, shall cease to be Common Area and shall be subject to those provisions of the Declaration that were applicable to the real property conveyed to the Association by the member.

Section 6. FHA/VA Approval. Notwithstanding any provision in this instrument to the contrary, as long as there is a Class B membership, and if Declarant desires to qualify sections of this subdivision for Federal Housing Administration or Veterans Administration approval (but not otherwise), the following actions will require the prior approval of Federal Housing Administration or the Veterans Administration: Annexation of additional properties, dedication of Common Areas, exchange of Common Area for other portions of the Properties, amendment of this Declaration of Covenants, Conditions and Restrictions, mergers and consolidations, mortgaging of Common Area and dissolution.

Section 7. Amendment. The covenants, conditions and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by the owners of not less than ninety percent (90%) of the lots, and thereafter by an instrument signed by the owners of not less than seventy-five percent (75%) of the lots; provided, however, that the Board of Directors may amend this Declaration, without the consent of owners, to correct any obvious error or inconsistency in drafting, typing, or reproduction. All amendments shall be certified as an official act of the Association and shall forthwith be recorded in the Wake County Registry. All amendments shall become effective upon recordation.

Section 8. If any amendment to these covenants, conditions and restrictions is executed, each such amendment shall be delivered to the Board of Directors of this Association. Thereupon, the Board of Directors, shall, within thirty (30) days do the following:

(a) Reasonably assure itself that the amendment has been executed by the Owners of the required number of lots. (For this

BOOK 3245 PAGE 733

purpose, the Board may rely on its roster of members and shall not be required to cause any title to any Lot to be examined);

(b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Association in the same manner that deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO COVENANTS,
CONDITIONS AND RESTRICTIONS OF LONDONDERRY TOWNHOMES
PHASE III

By authority of its Board of Directors, Waterside Drive Londonderry Townhomes Association, Inc., hereby certifies that the foregoing instrument has been duly executed by the Owners of _____ percent of the Lots of Londonderry Townhomes, Phase III, and is, therefore, a valid amendment to the existing covenants, conditions and restrictions of Londonderry Townhomes, Phase III.

WATERSIDE DRIVE LONDONDERRY
TOWNHOMES ASSOCIATION, INC.

ATTEST:

By _____
President

Secretary

(c) Immediately, and within the thirty (30) day period aforesaid, cause the amendment to be recorded in Wake County Registry.

All amendments shall be effective from the date of recordation in the Wake County Registry, provided, however, that no such amendment shall be valid until it has been indexed in the name of this Association. When any instrument purporting to amend the covenants, conditions and restrictions has been certified by the Board of Directors, recorded and indexed as provided by this Section, it shall be conclusively presumed that such instrument constitutes a valid amendment as to all persons thereafter purchasing any lots in Londonderry Townhomes, Phase III.

Notwithstanding the foregoing, no amendment shall be effective unless approved by the City Attorney of Raleigh (so

long as this is required by the Raleigh City Code); provided, however, that if any amendment is submitted to said City Attorney and is neither approved or disapproved within twenty (20) days from the date of submission, it shall be conclusively presumed that the City Attorney has approved it.

Section 9. Amendment of Declaration Without Approval of Owners. The Declarant, without the consent or approval of any other owner, shall have the right to amend this Declaration to conform to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any lots and improvements thereon for mortgage or improvement loans made, insured or guaranteed by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United States Government or the State of North Carolina, regarding purchase or sale in such lots and improvements, or mortgage interests therein, as well as any other law or regulation relating to the control of Property, including, without limitation, ecological controls, construction standards, aesthetics, and matters affecting the public health, safety and general welfare. A letter from an official of any such corporation or agency, including, without limitation, the Veterans Administration U. S. Department of Housing and Urban Development, the Federal Home Loan Mortgage Corporation, Home Mortgage Access Corporation (HOMAC), Government National Mortgage Corporation, or the Federal National Mortgage Association, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion.

No amendment made pursuant to this Section shall be effective until duly recorded in the Register of Deeds of Wake County.

Section 10. Amendment to Achieve Tax-Exempt Status. The Declarant, for so long as it shall retain control of the

BOOK 3245 PAGE 760

Association, and, thereafter, the Board of Directors, may amend this Declaration as shall be necessary, in its opinion, and without the consent of any owner, to qualify the Association or the Property, or any portion thereof, for tax-exempt status. Such amendment shall become effective upon the date of its recordation in the Wake County Registry.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this instrument this the 28th day of February, 1984.

W. Ted Gossett (SEAL)
W. Ted Gossett

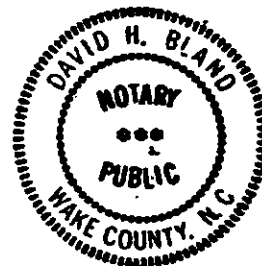
NORTH CAROLINA
WAKE COUNTY

I, the undersigned, a Notary Public in and for said State and County do hereby certify that W. TED GOSSETT personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal this the 28th day of February, 1984.

David H. Bland
Notary Public

My Commission Expires: 8-24-86



NORTH CAROLINA - WAKE COUNTY

The foregoing certificate _____ of David H. Bland

Notary (X) 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.

KENNETH C. WILKINS, Register of Deeds

By Kenneth C. Smith
Asst./Deputy Register of Deeds