

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
AUTUMN LAKES SUBDIVISION**

**THE FOLLOWING STATEMENTS ARE REQUIRED BY THE NORTH
CAROLINA PLANNED COMMUNITY ACT:**

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE
FLAG OF THE UNITED STATES OF AMERICA OR THE STATE OF NORTH
CAROLINA.**

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF
POLITICAL SIGNS.**

Prepared by and when recorded return to:

Matthew G. St. Amand, Esq.
St. Amand & Efird, PLLC
Lincoln at Belle Grove
3315 Springbank Lane
Charlotte, NC 28226

Submitted electronically by "St. Amand & Efird PLLC"
in compliance with North Carolina statutes governing recordable documents
and the terms of the submitter agreement with the Wake County Register of Deeds.

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
AUTUMN LAKES SUBDIVISION**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR AUTUMN LAKES SUBDIVISION ("Declaration") is made on the date of its recordation in the Wake County Registry (the "Registry") by LGI Homes – NC, LLC, a North Carolina limited liability company ("Declarant").

WITNESSETH:

WHEREAS, Declarant owns a portion of that certain real property described more particularly on Exhibit A (the "Property"); and

WHEREAS, Declarant desires to provide for the development of the Property (and additional property as may be added thereto pursuant hereto) as a single-family residential subdivision (including related common areas); and

WHEREAS, this Declaration establishes a planned community under the North Carolina Planned Community Act (N. C. Gen. Stat. Chap. 47F; as amended from time to time, the "Act"); and

WHEREAS, Declarant deems it desirable for the management and administration of the planned community and for the preservation of the values and amenities of the planned community to cause Autumn Lakes Owners Association, Inc., a nonprofit corporation under the laws of the State of North Carolina, to administer the limitations, covenants, conditions, restrictions, easements, liens and equitable servitudes created by or imposed in accordance with the provisions hereof and the provisions of the Act, collect and disburse the assessments and charges imposed in accordance with the provisions hereof and the provisions of the Act, and exercise such other powers as may be authorized by the Project Documents (defined below) and by the Act; and

WHEREAS, Declarant has furthermore reserved such rights are described in Article XII herein or otherwise herein and in the other Project Documents to add real property to the Property or to withdraw portion of the Property from the encumbrance of this Declaration.

NOW, THEREFORE, the Declarant hereby declares that the Property described above shall be subject to the following reservations, easements, limitations, restrictions, servitudes, covenants, conditions, charges and liens (hereinafter sometimes collectively termed "Covenants and Restrictions") which are for the purpose of protecting the value and desirability of the Property, and which shall run with the land, and be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner of any portion of the Property.

ARTICLE I DEFINITIONS

Section 1.1. “Act” means and refers to the North Carolina Planned Community Act, Chapter 47F, North Carolina General Statutes, as same may be amended from time to time.

Section 1.2. “Architectural Committee” means the committee established by the Board pursuant to Section 3.4 of this Declaration.

Section 1.3. “Architectural Committee Rules” means the rules adopted by the Architectural Committee as such rules may be amended from time to time.

Section 1.4. “Articles” means the Articles of Incorporation of the Association which have been filed in the Office of the Secretary of State of the State of North Carolina, as said Articles may be amended from time to time.

Section 1.5. “Assessment Lien” means the lien granted to the Association by this Declaration and codified by the Act to secure the payment of Assessments and all other amounts payable to the Association under the Project Documents.

Section 1.6. “Assessments” means the annual, special and/or individual assessments levied and assessed against each Lot pursuant to Article IV of the Declaration.

Section 1.7. “Association” means Autumn Lakes Owners Association, Inc., a North Carolina nonprofit corporation organized to administer and enforce the Project Documents and to exercise the rights, powers and duties set forth therein, and its successors and assigns.

Section 1.8. “Association Rules” means the rules and regulations adopted by the Association, as the same may be amended from time to time.

Section 1.9. “Board” means the Board of Directors of the Association.

Section 1.10. “Builder” means a person or entity (including a Designated Builder, unless otherwise stated) in the business of, or a person or entity which has an affiliate in the business of, constructing and selling homes or in the business of acting as a land banker that sells lots to persons or entities who construct and sell homes, which purchases a Lot or Lots without Residential Units constructed thereon for the purpose of constructing Residential Units thereon and selling such Lots and Residential Units.

Section 1.11. “Bylaws” means the bylaws (or by-laws) of the Association, as such bylaws may be amended from time to time.

Section 1.12. “County” means Wake County, North Carolina.

Section 1.13. “Common Area” means all of the following: (i) any real property, together with any Improvements, landscaping and personal property thereon, shown on any Plat of the Property, with the exception of any Residential Units, as said terms are defined in the Declaration, which are not dedicated or deeded to and actually maintained by a governmental

entity; (ii) any real property, together with any Improvements, landscaping and personal property thereon dedicated to the Association on any Plat of the Property; (iii) any real property, together with any Improvements and personal property thereon deeded to or leased by the Association; and (iv) any portion of the Property together with any Improvements, landscaping and personal property thereon designed and intended for the common, non-exclusive use of the Owners and declared to be Common Areas in this Declaration or any Supplemental Declaration. Except as otherwise stated, the Common Areas include, without limitation, any open space noted on any subdivision plat of the Property or in an Supplemental Declaration as a Common Area; any centralized USPS delivery center, Stormwater Facilities, private lake maintenance easements and ponds shown on any Plat, wetland buffers, landscape areas, retaining walls, entrance features, walls, monuments, columns, Common Area Improvements, mitigation areas, irrigation pumps, drainage swales, drainage structures, irrigation areas, irrigation lines, commonly used utility facilities, project signage, street lights, monument signage, amenity or recreational areas and other areas shown on any Plat of the Property for common use or otherwise identified as or declared to be Common Areas. Until turned over to and accepted by a public authority for ownership and maintenance, all sidewalks, roads and rights-of-way within the Property shall constitute Common Areas. The designation of any land and/or Improvements as Common Areas will not mean or imply that the public at large acquires any easement of use or enjoyment therein. All Common Areas are to be devoted to and intended for the common use and enjoyment of the Declarant, Owners and Occupants and their respective Tenants, guests, and invitees. Except as otherwise provided in this Declaration, the Common Areas shall be maintained by the Association or its successors in interest unless dedicated to public use as set forth herein. NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, THE DEFINITION OF "COMMON AREAS" AS SET FORTH IN THIS DECLARATION IS FOR DESCRIPTIVE PURPOSES ONLY AND SHALL IN NO WAY BIND, OBLIGATE OR LIMIT THE DECLARANT TO CONSTRUCT OR SUPPLY ANY SUCH ITEM AS SET FORTH IN SUCH DESCRIPTION, WHICH SHALL INCLUDE, WITHOUT LIMITATION, THE CONSTRUCTION OR SUPPLY OF ANY RECREATIONAL AMENITIES IN ANY PORTION OF THE PROPERTY, THE CONSTRUCTION OR SUPPLYING OF ANY SUCH ITEM HEREINABOVE BEING IN DECLARANT'S SOLE DISCRETION. FURTHER, NO PARTY SHALL BE ENTITLED TO RELY UPON SUCH DESCRIPTION AS A REPRESENTATION OR WARRANTY AS TO THE EXTENT OF THE COMMON AREAS TO BE OWNED, LEASED BY OR DEDICATED TO ASSOCIATION, EXCEPT AFTER CONSTRUCTION AND DEDICATION OR CONVEYANCE OF ANY SUCH ITEM.

Section 1.14. "Common Expenses" means expenditures made by, or financial liabilities of, the Association, together with any allocations to reserves.

Section 1.15. "Declarant" means LGI Homes – NC, LLC, a North Carolina limited liability company, and its successors and assigns, and any assignee of Declarant's rights, if any. A Declarant may assign its rights by express recorded instrument to a subsequent Owner of all or part of the Property. At any time when there is more than one Declarant, except as otherwise expressly provided in this Declaration, any approval or other action required or permitted by the "Declarant" under this Declaration shall require the written consent of the Declarants owning a majority of all Lots then owned by all Declarants.

Section 1.16. "Declaration" means the provisions of this document and any amendments hereto.

Section 1.17. "Designated Builder" means any Builder that is designated by Declarant as a "Designated Builder" in a recorded supplemental declaration or in an unrecorded written notice given by Declarant to the Association, if any.

Section 1.18. "First Mortgage" means any mortgage, deed of trust, or contract for deed on a Lot which has priority over all other mortgages, deeds of trust and contracts for deed on the same Lot. A contract for deed is a recorded agreement whereby the purchaser of a Lot acquires possession of the Lot but does not acquire legal title to the Lot until a deferred portion of the purchase price for the Lot has been paid to the seller.

Section 1.19. "First Mortgagee" means the holder of any First Mortgage.

Section 1.20. "Improvement" or "improvement" means buildings, roads, residences, driveways, parking areas, fences, walls, rocks, hedges, plantings, equipment, structures, recreational amenities and/or fixtures, planted trees and shrubs, and all other structures or landscaping improvements of every type and kind.

Section 1.21. "Lot" or "lot" means any Lot shown on a Plat (Common Area designated on a plat and owned by the Association shall not be a Lot). For purposes of voting on any issue required to receive the approval of Lot Owners, the Owner of a parcel not yet subject to the Plat but zoned for residential use shall be deemed to be the Owner of the maximum number of Lots into which such parcel may be subdivided under then applicable zoning and other legal requirements. Furthermore, for purposes of determining whether any person or entity (including Declarant) owns a "Lot," ownership of any parcel subject hereto shall count as owning one or more "Lots."

Section 1.22. "Member" or "member" means any person, corporation, partnership, joint venture or other legal entity who is a member of the Association.

Section 1.23. "Notice and Opportunity for Hearing" or "notice and opportunity for hearing" means giving at least fifteen (15) days' prior notice of a proposed action and the reasons therefor, and an opportunity to be heard by the Board or such other body or group as may be required by the Act, orally or in writing, not less than five (5) days before the effective date of the proposed action.

Section 1.24. "Owner" or "owner" shall mean the record owner, except as provided below, whether one or more persons or entities, of fee simple title to any lot, including without limitation, one who is buying a lot under a recorded contract, but excluding others having an interest merely as security for the performance of an obligation. In the case of a lot where fee simple title is vested of record in a trustee under a deed of trust, legal title shall be deemed to be in the trustor. In the case of a lot where fee simple title is vested in a trustee pursuant to a trust agreement, the beneficiary entitled to possession shall be deemed to be the Owner.

Section 1.25. "Plat" means any recorded subdivision plat of any portion of the Property and all amendments thereto.

Section 1.26. “Project” means the Property together with all buildings and other Improvements located thereon and all easements, rights and privileges appurtenant thereto.

Section 1.27. “Project Documents” means this Declaration and the Articles, Bylaws, Association Rules, Architectural Committee Rules and Stormwater Agreements.

Section 1.28. “Purchaser” means any person other than a Declarant or a Designated Builder, who by means of a voluntary transfer becomes the Owner of a Lot except for an Owner who purchases a Lot and then leases it to a Declarant for use as a model in connection with the sale of other Lots.

Section 1.29. “Residential Unit” or “Unit” means any building situated upon a Lot and designed and intended for independent ownership and for use and occupancy as a residence by a Single Family for which a certificate of occupancy has been issued by the appropriate governmental entity.

Section 1.30. “Single Family” shall mean an individual living alone, a group of two or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three persons not all so related, who maintain a common household in a Residential Unit.

Section 1.31. “Single Family Residence” shall mean a building, house or Residential Unit used as a residence for a Single Family, including any appurtenant garage or storage area.

Section 1.32. “Single Family Residential Use” shall mean the occupation or use of a Single Family Residence in conformity with this Declaration and the requirements imposed by applicable zoning laws or other state, county or municipal rules and regulations.

Section 1.33. “Stormwater Facility” or “Stormwater Facilities” is defined as any one or more of the following that serves or benefits any part or all of the Property or is required by the applicable legal requirements in connection with any part or all of the Property, whether located in the Property or outside of the Property: (i) “drainage easements” (also referred to herein as “stormwater easements” or “stormwater drainage easements”) that are shown on plats of the Property recorded in the Registry or established by written instruments recorded in the Registry, and which either are located on the Common Area or benefit or serve more than one (1) Lot; and (ii) all stormwater management facilities for the Property including ponds, man-made or natural areas and/or planted or landscaped areas into which stormwater drains, or in which stormwater is collected, or from which it is discharged, drains, pipes, conduits, inlets, swales, creeks, streams, channels, dams, ditches, filters, buffers, bio-retention areas, level spreaders, constructed wetlands, and other equipment, facilities and stormwater management measures used for inspecting, monitoring, measuring, testing, collecting, controlling, transporting, conveying, handling, storing, discharging and/or managing stormwater. Except as otherwise provided herein, Stormwater Facilities are part of the Common Area, and maintenance of Stormwater Facilities is a Common Expense. References in the Declaration to stormwater management include all applicable Stormwater Facilities and Stormwater Facility Agreements.

Section 1.34. “Stormwater Agreement” or “Stormwater Facility Agreements” (which term includes any other agreement under applicable legal requirements, by whatever name denominated therein, relating to Stormwater Facilities) is defined as any agreement, if any, required by any applicable legal requirement between the governing authorities and the Declarant or between the governing authorities and the Association, or among the governing authorities, Declarant and Association, or between or among any combination of the governing authorities and the Declarant, the Association and one or more Owners, relating to maintenance of Stormwater Facilities.

Section 1.35. “Visible from Neighboring Property” or “visible from neighboring property” shall mean that an object is or would be visible to a person six feet (6') tall standing on a neighboring lot, neighboring Common Area, or street at an elevation not greater than the elevation at the base of the object being viewed.

Section 1.36. Intentionally Deleted.

Section 1.37. Intentionally Deleted.

ARTICLE II PLAN OF DEVELOPMENT

Section 2.1. Property Initially Subject to the Declaration. This Declaration is being recorded to establish a general plan for the development and use of the Project in order to protect and enhance the value and desirability of the Project. All of the Property within the Project shall be held, sold and conveyed subject to this Declaration. By acceptance of a deed or by acquiring any interest in any of the Property subject to this Declaration, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general plan for the development and use of the Property and hereby evidences his intent that all the restrictions, conditions, covenants, rules and regulations contained in this Declaration (including all rights to amend the same as described herein) shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, lessees and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the Association and all Owners. Declarant, its successors, assigns and grantees, covenants and agrees that the Lots and the membership in the Association and the other rights created by this Declaration shall not be separated or separately conveyed, and such shall be deemed to be conveyed or encumbered with its respective Lot even though the description in the instrument of conveyance or encumbrance may refer only to the Lot.

ARTICLE III
THE ASSOCIATION; RIGHTS AND DUTIES,
MEMBERSHIP AND VOTING RIGHTS

Section 3.1. Rights, Powers and Duties. The Association shall be a non-profit North Carolina corporation charged with the duties and invested with the powers prescribed by the North Carolina Non-Profit Corporation Act, the Act, or other applicable law and set forth in the Project Documents together with such rights, powers and duties as may be reasonably necessary to effectuate the objectives and purposes of the Association as set forth in the Project Documents. Unless the Project Documents or the Act specifically require a vote of the Members, approvals or actions to be given or taken by the Association shall be valid if given or taken by the Board. A copy of the Articles and Bylaws of the Association shall be available for inspection at the office of the Association during reasonable business hours.

Section 3.2. Board of Directors and Officers. The affairs of the Association shall be conducted by a Board of Directors and such officers and committees as the Board may elect or appoint in accordance with the Articles and the Bylaws. Until termination of the Class B membership, Declarant shall have the right to appoint and remove members of the Board and officers of the Association. After termination of the Class B membership, the Members shall elect the Board as provided in the Bylaws and the Board shall appoint the officers as provided in the Bylaws.

Section 3.3. Association Rules. The Board may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations applicable to the operation of the Project (including, without limitation, design guidelines), provided, however, that such Association Rules shall not apply to restrict Declarant or any Designated Builder for so long as either owns any Lot in the Project. Except as provided above, relative to Declarant and any Designated Builder, the Association Rules may restrict and govern the use of any area by any Owner, by the family of such Owner, or by any invitee, licensee or lessee of such Owner except that the Association Rules may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or Bylaws. Upon adoption, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 3.4. Architectural Committee. The Board shall establish an Architectural Committee consisting of not less than three (3) members to regulate the external design, appearance and use of the Property and to perform such other functions and duties as may be imposed upon it by this Declaration or the Board. So long as the Declarant owns any Lot, the Declarant shall have the right to appoint and remove members of the Architectural Committee. At such time as the Declarant no longer owns any lot, the Board shall have the right to appoint and remove members of the Architectural Committee.

Section 3.5. Identity of Members. Membership in the Association shall be limited to Owners of Lots. An Owner of a Lot shall automatically, upon becoming the Owner thereof, be a member of the Association and shall remain a member of the Association until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease.

Section 3.6. Transfer of Membership. Membership in the Association shall be appurtenant to each Lot and a membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale of a Lot and then only to such Purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Any attempt to make a prohibited transfer shall be void and shall not be reflected upon the books and records of the Association.

Section 3.7. Classes of Members. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of each Declarant and each Designated Builder until the termination of the Class B membership. Each Class A member shall be entitled to one (1) vote for each Lot owned.

Class B. The Class B member shall be the/each Declarant and each Designated Builder (if any). Each Class B member shall be entitled to four (4) votes for each Lot owned by such member. 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:

(i) When one hundred percent (100%) of the Lots approved by applicable authorities for all phases of the Project at full build out have been conveyed to Purchasers; or

(ii) When each Declarant and each Designated Builder notifies the Association in writing that it relinquishes its Class B membership.

Section 3.8. Joint Ownership. When more than one person is the Owner of 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 ballot be cast with respect to any Lot. The vote or votes for each such Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner casts a ballot representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. In the event more than one ballot is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

Section 3.9. Corporate Ownership. In the event any Lot is owned by a corporation, partnership, limited liability company, or other association, the corporation, partnership, limited liability company or association shall be a Member and shall designate in writing at the time of acquisition of the Lot an individual who shall have the power to vote said membership, and in the absence of such designation and until such designation is made, the president, general partner, manager, managing member, or chief executive officer of such corporation, partnership, limited liability company or association shall have the power to vote the membership.

Section 3.10. Suspension of Voting Rights. In the event any Owner is in arrears in the payment of any Assessments or other amounts due under any of the provisions of the Project

Documents for a period of thirty (30) days, said Owner's right to vote as a Member of the Association may be suspended for each infraction of the Project Documents after Notice and Opportunity for Hearing, and if suspended after Notice and Opportunity for Hearing shall remain suspended until all payments, including accrued interest and attorneys' fees, are brought current.

Section 3.11. Fines. The Association, acting through its Board of Directors, shall have the right to adopt a schedule of fines for violation of any provision of the Project Documents by any Owner or such Owner's licensees and invitees. No fine shall be imposed unless the Owner is provided Notice and Opportunity for Hearing. If it is decided after Notice and Opportunity for Hearing that a fine should be imposed, a fine not to exceed the maximum amount allowed under North Carolina law may be imposed for the violation without further hearing for each day more than five (5) days after the decision that the violation occurs. All fines shall constitute a lien on all lots owned by the Owner and shall be paid within thirty (30) days following imposition. Except as otherwise limited by the Act or other applicable law, failure to pay any fine shall subject the Owner to the same potential penalties and enforcement as failure to pay any assessments under Article IV.

Section 3.12. Limitation on Claims. No claim arising against Declarant or any officer, director, member, manager, employee or other representative of Declarant, including without limitation any claims arising from Declarant's exercise of any right arising from Declarant's Class B membership or arising from any action or inaction by any person in such person's capacity as an officer, director, member or manager of the Association, shall be asserted by the Association more than six (6) months following the later of termination of the Class B membership or the termination of such person's service as an officer or director of the Association. All claims that are not filed in a proper court within the foregoing time period shall be deemed forever waived and released. This section shall not be subject to amendment without the written approval of the Declarant.

ARTICLE IV COVENANT FOR MAINTENANCE ASSESSMENTS

Section 4.1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned by it, hereby covenants, and each Owner of a Lot, by becoming the Owner thereof, whether or not it is expressed in the deed or other instrument by which the Owner acquired ownership of the Lot, is deemed to covenant and agree to pay to the Association annual assessments, special assessments, and any applicable individual assessments. The annual, special, and individual assessments, together, with interest, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made as provided in the Act. Each such Assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment became due. The personal obligation for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 4.2. Purpose of the Assessments. The Assessments levied by the Association shall be used exclusively for payment of Common Expenses, including, without limitation (i) the upkeep, maintenance and improvement of the Common Area, (ii) maintenance, repair, replacement, and operation of rights-of-way and easements within or immediately adjacent

to the Project (e.g. landscaping and sidewalks within the right-of-way of adjoining streets) to the extent that such actions are required by government entities or deemed appropriate by the Board, (iii) promoting the recreation, health, safety and welfare of the Owners and other lawful occupants of Lots within the Property, (iv) the performance and exercise by the Association of its rights, duties and obligations under the Project Documents, (v) maintaining any Stormwater facilities located on portions of Common Areas to the standard required by the governmental entity or agency having jurisdiction over such areas, and (vi) to allocate to reserves that can then be used to pay any other Common Expenses. Notwithstanding the foregoing, individual assessments shall be used for fixing or remedying that problem which they were collected to address and shall be accounted for separately from annual and special assessments.

Section 4.3. Annual Assessment.

(A) For each fiscal year of the Association commencing upon the first conveyance of a Lot to a Purchaser, the Board shall adopt a budget for the Association containing an estimate of the total amount of funds which the Board believes to be required during the ensuing fiscal year to pay all Common Expenses including, but not limited to (i) the amount required to pay the cost of insurance, maintenance, management, operation, repair and replacement of the Common Area and those parts of the Lots, or other real property (such as any Common Area conveyed out of the Association pursuant to Section 12..7 herein), if any, which the Association has the responsibility of insuring, maintaining, repairing or replacing under the Project Documents, (ii) the cost of wages, materials, insurance premiums, services, supplies and maintenance or repair of the Common Area and for the general operation and administration of the Association, (iii) the amount required to render to Owners all services required to be rendered by the Association under the Project Documents, and (iv) such amounts as may be deemed necessary by the Board to provide general operating reserves and reserves for contingencies and replacement. The Board shall send written notice of a summary of the proposed budget as well as the amount of the payment due to each Owner within thirty (30) days after the adoption by the Board of such budget. To the extent required by Section 47F-3-103(c) of the Act or other applicable law, such notice shall include notice of a meeting of the Members to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. If such a meeting is required by Section 47F-3-103(c) of the Act, or other applicable law, the Board shall set a date for a meeting of the Members to consider ratification of the budget to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. If such meeting is required as set forth above, there shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at such meeting Members exercising a majority of all of the votes eligible to be cast in the Association reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Members shall be continued until such time as the Members ratify a subsequent budget proposed by the Board. The failure of the Board to send, or of a Member to receive, any budget notice shall not relieve any Member of the obligation to pay Assessments.

(B) For each fiscal year of the Association the total amount of the estimated Common Expenses as established by the approved budget shall be assessed by the Board. Except to the extent that this Declaration expressly provides otherwise, and except with respect to individual assessments all assessments shall be equal on all Lots.

(C) A Designated Builder shall be obligated to pay only twenty-five percent (25%) of the annual assessment attributable to a Lot owned by such Designated Builder for each fiscal year of the Association commencing upon the conveyance of the first Lot to a Purchaser, and continuing until the earliest of (i) the date on which a certificate of occupancy or similar permit is issued by the appropriate governmental authority for the Residential Unit on such Lot, (ii) six (6) months from the date on which a building permit is issued by the appropriate governmental authority for construction of a Residential Unit on the Lot, or (iii) two (2) years after the Lot was conveyed to the Designated Builder by the Declarant. If a Lot ceases to qualify for the reduced twenty-five percent (25%) rate of assessment during the period to which an annual assessment is attributable, the annual assessment shall be prorated between the applicable rates on the basis of the number of days in the assessment period that the Lot qualified for each rate.

(D) The Declarant shall be exempt from payment of annual assessments on Lots or parcels owned by the Declarant. If a Lot ceases to be owned by Declarant and therefore becomes subject to assessment during the period to which an annual assessment is attributable, the assessment shall be prorated based on the basis of the number of days in the assessment period that the Lot is not owned by Declarant.

(E) The Declarant shall pay to the Association any amounts (hereinafter "Subsidy Amounts") which, in addition to the annual assessments levied by the Association against other Owners, may be required by the Association in order for the Association to fully perform its duties and obligations under the Project Documents. Notwithstanding the foregoing, Declarant shall have no obligation to pay any combination of Subsidy Amounts and assessments during any calendar year in excess of the total amount that Declarant would have paid during such calendar year if Declarant were paying full assessments. Any estimated payment by the Declarant to fund Subsidy Amounts under this section in excess of Declarant's actual obligation for Subsidy Amounts under this section shall, at Declarant's option, be credited toward payment of Declarant's next due assessment payment(s) or treated as a loan by Declarant (in Declarant's discretion) and later repaid by the Association to Declarant.

(F) The Board shall adopt a proposed budget and give notice of the estimated annual assessment to each Owner at least thirty (30) days prior to the beginning of each fiscal year of the Association, but the failure to give such notice shall not affect the validity of the annual assessment established by the Board nor relieve any Owner from its obligation to pay the annual assessment.

(G) Until January 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual assessment for each Lot shall be \$300.00.

Section 4.4. Special Assessments and Individual Assessments. In addition to the annual assessments authorized above and individual assessments authorized below, the Association may levy, in any fiscal year, a special assessment applicable to that fiscal year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement of the Common Area, including fixtures and personal Property related thereto, or for any other lawful Association purpose, provided that any such special assessment shall have the assent of Members having at least two-thirds (2/3) of the votes

entitled to be cast by Members who are voting in person or by proxy at a meeting duly called for such purpose. Special assessments shall be levied at a uniform rate for all Lots.

In addition to the annual and special assessments authorized above, the Association, acting through the Board may assess individual assessments against Owners and their Lots for: (i) any costs incurred by the Association by reason of the Owner's failure to maintain its Lot and Residential Unit to the standard required herein, or (ii) any costs incurred by the Association as a result of such Owner's (or its tenant's, agent's, contractor's, family member's or invitee's) negligence, willful misconduct, or default under its obligations under the Project Documents, including any costs for maintenance or repair and reasonable attorney's fees.

Section 4.5. Notice and Quorum for Any Action Authorized Under Sections 4.3 or 4.4. Written notice of any meeting called for the purpose of obtaining the consent of the Members for any action for which the consent of the Members is required under Sections 4.3 and 4.4 shall be sent to all Members no less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast ten percent (10%) of all the votes of each class of Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 4.6. Date of Commencement of Annual Assessments; Due Dates. The annual assessments shall commence as to all Lots on the first day of the month following the conveyance of the first Lot to a Purchaser. The first annual assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board may require that the annual assessment be paid in installments and in such event the Board shall establish the due dates for each installment. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association or the Association's designated agent setting forth whether the Assessments on a specified Lot have been paid.

Section 4.7. Effect of Non-payment of Assessments; Remedies of the Association.

(A) If any Assessment, or any installment of an Assessment, is not paid for a period of thirty (30) days or longer after the Assessment, or the installment of the Assessment, first became due, such Assessment or such installment of an Assessment shall incur a late payment charge not to exceed the maximum amount allowed under North Carolina law. Any amounts paid by a Member for such Assessment or installment of an Assessment shall be applied first to unpaid principal and then to late charges or interest. Any Assessment, or any installment of an Assessment, which is delinquent shall become a continuing lien on the Lot against which such Assessment was made as provided in §47F-3-116 of the Act. The Assessment Lien may be placed of record in the office of the clerk of superior court in the county in which the Lot is located by filing a "Claim of Lien" in the manner set forth in §47F-3-116 of the Act.

(B) The Assessment Lien shall have priority over all liens or claims created subsequent to the recordation of this Declaration except for (i) tax liens for real Property taxes on

the Lot, (ii) assessments on any Lot in favor of any municipal or other governmental body and (iii) the lien of any First Mortgage or the lien of any other encumbrance recorded before the docketing of the claim of lien in the office of the clerk of court.

(C) Before filing a Notice of Claim of Lien against any Lot, the Association shall make reasonable and diligent efforts to ensure that its records contain the Owner's current mailing address and make a written demand to the defaulting Owner for payment of the delinquent Assessments together with late charges, interest, reasonable collection costs and reasonable attorneys' fees, if any. The demand shall state the date and amount of the delinquency. Each default shall constitute a separate basis for a demand or claim of lien but any number of defaults may be included within a single demand or claim of lien. If the delinquency is not paid within fifteen (15) days after delivery of the demand, the Association may proceed with filing a Claim of Lien against the Lot of the defaulting Owner. The Association shall not be obligated to release the Assessment Lien until all delinquent Assessments, late charges, interest, lien recording fees, reasonable collection costs and reasonable attorneys' fees have been paid in full. The Owner shall be notified in writing of the Association's intent to seek payment of attorneys' fees and court costs in accordance with §47F-3-116(e1) of the Act.

(D) The Association shall have the right, at its option, to enforce collection of any delinquent Assessments together with late charges, interest, lien recording fees, reasonable collection costs, reasonable attorneys' fees and any other sums due to the Association in any manner allowed by law including, but not limited to, (i) bringing an action at law against the Owner personally obligated to pay the delinquent Assessment Lien securing the delinquent Assessments or (ii) bringing an action to foreclose the Assessment Lien against the Lot in the manner set forth in §47F-3-116 of the Act. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots purchased at such sale.

Section 4.8. Subordination of the Lien to Mortgages. The Assessment Lien shall be subordinate to the lien of any First Mortgage or the lien of any other encumbrance recorded before the docketing of the claim of lien in the office of the clerk of court. The sale or transfer of any Lot shall not affect the Assessment Lien except that the sale or transfer of a Lot pursuant to judicial or nonjudicial foreclosure of a First Mortgage or any bona fide, good faith proceeding in lieu thereof shall extinguish the Assessment Lien as to payments which became due prior to the sale or transfer. Such unpaid Assessments shall be deemed Common Expenses collectible from all Owners, including the Purchaser at foreclosure. In addition, no sale or transfer shall relieve the Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

Section 4.9. Exemption of Owner. No Owner of a Lot may exempt himself from liability for Assessments levied against his Lot or for other amounts which he may owe to the Association under the Project Documents by waiver and non-use of any of the Common Area and facilities or by the abandonment of his Lot, and an Owner will remain personally liable for Assessments, including interest and late charges which accrue prior to a sale, transfer, or other conveyance of his Lot..

Section 4.10. Intentionally Deleted.

Section 4.11. No Offsets. All Assessments and other amounts payable to the Association shall be payable in accordance with the provisions of the Project Documents, and no offsets against such Assessments or other amounts shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Project Documents.

Section 4.12. Stormwater Assessments. The Assessments of the Association shall include amounts for upkeep and reconstruction of the Stormwater Facilities. The Association shall maintain two (2) separate line items in its budget for the Stormwater Facilities. The first line item, the "Inspection and Maintenance Fund," shall be for routine inspection and maintenance expenditures and shall be used for annual inspections, maintenance, and minor repairs to the Stormwater Facilities. The funds for this purpose may be maintained as part of the Association's general account. The second line item, the "Major Reconstruction Fund," shall be a separate, increasing reserve fund that will build over time and provide money for major repairs to and eventual reconstruction of the Stormwater Facility. The Major Reconstruction Fund shall be maintained in an account that is separate account from the Association's general account. Each Lot shall be subject to Assessments by the Association for the purpose of fulfilling the Association's obligations under this Declaration as it relates to Stormwater Facilities and under any Stormwater Facility Agreement.

Section 4.13. Intentionally Deleted.

Section 4.14. Initial Working Capital. Upon the closing of any sale of any Lot by Declarant or by any Builder, to a Purchaser, and only upon such initial sale, the Owner shall pay to the Association a one-time initial capital contribution in the amount of the current full annual Assessment for the applicable Lot OR some lower reasonable amount which may be set by the Board from time to time in its discretion. This one-time initial capital contribution shall be in addition to the Assessments for the year of such closing (or portion thereof for such year), shall be collected at the applicable closing and shall be part of the general operating funds of the Association.

Section 4.15. Declarant Audit Right. Following the termination of the Class B membership and so long as Declarant owns any Lot, the Declarant shall have the right to audit the books and records of the Association.

Section 4.16. Surplus Funds. The Association shall not be obligated to spend in any year all the Assessments and other sums received by it in such year, and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year, and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

Section 4.17. Intentionally Deleted.

ARTICLE V USE RESTRICTIONS

Section 5.1. Residential Use. Except as otherwise provided herein, all lots shall be improved and used only for Single Family Residential Use. No gainful occupation, profession, trade or other commercial activity shall be conducted on any lot; provided, however, the Declarant may use the lots for such facilities as in its sole opinion may be reasonably required, convenient or incidental to the construction and sale of Residential Units, including, without limitation, a business office, storage areas, construction yards, signs, a model home site or sites, and a display and sales office. Notwithstanding the foregoing, home businesses are permitted on the lots provided they are in accordance with applicable municipal ordinances for home business in residential districts, and provided that they do not generate vehicle traffic within the Property above and beyond what would generally be generated without the operation of said business.

Section 5.2. Additional Use of Common Area; Conveyance. Additional allowable uses of the Common Area by the Association may include but need not include splash pads and dog parks (see below regarding dog parks) maintained by the Association. For avoidance of doubt if not otherwise, Declarant shall have the right from time to time or at any time so long as it owns any Property subject to the Declaration, to convey the same to the Association, and the Association shall accept the same as Common Area.

Section 5.3. Use of Accessory Structures. No tent, shack, barn, car port, metal awnings, metal utility sheds or other building, other than a Residential Unit and its garage, shall be erected on a Lot, and used temporarily or permanently as a residence, nor shall any such structure be used for any other purpose. Notwithstanding the foregoing, the Declarant and any Designated Builder, may use temporary buildings, offices or facilities in connection with the marketing, sale and construction of Units.

Section 5.4. Signs. No signs shall be displayed on any Lot with the exception of one "For Sale" or "For Rent" sign not exceeding 36" x 24" in size and signs of not more than ten (10) square feet expressing support of or opposition to political candidates or other issues which will appear on the ballot of a primary, general or special election, provided that such political signs shall not be placed on a Lot earlier than sixty (60) days before such election and shall be removed within two (2) days after such election. The Architectural Committee may develop additional and/or uniform sign standards and specifications to which all Owners must adhere. No sign of any kind shall be displayed in or on the Common Area without the prior written consent of the Architectural Committee. Notwithstanding the foregoing, Declarant and, with the consent of and upon such conditions as Declarant, in its sole discretion, might impose, a Designated Builder, shall have the right to erect and maintain signs of any type and size on any Lot which it owns and on the Common Area, in connection with the development and sale of the Property.

Section 5.5. Noxious and Offensive Activity. No noxious or offensive activity shall be allowed on the lots nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners and tenants of their respective lots and residences. Without limiting the generality of the foregoing, no speakers, horns, sirens or other sound devices, except security devices used exclusively for security purposes, shall be located or used on a lot. The

provisions of this section shall not apply to any activity of Declarant or any Designated Builder or their respective employees, agents, or contractors during the course of construction activities (including rebuilding, maintenance or repair of Residential Units or the Common Areas) or sales activities upon or about the Property.

Section 5.6. Motor Vehicles; Parking. Parking of machinery used for the transportation of people or goods ("Vehicles") shall be prohibited in the front, side, and back yard of Lots except if parked on a driveway. Parking of Vehicles on any street within the Property is prohibited except that Vehicles which are too large to fit on a driveway may park on the portion of the street directly adjacent to the Owner's Lot during daylight hours only and shall either be put into the garage or removed from the Property during nighttime hours. No trailers, boats, or campers shall be allowed to park on the Property without Board approval and then only on a temporary basis in order to pack/unpack or clean the Vehicle. For purposes of this Declaration, any Vehicle that (i) displays the name, tradename, telephone number or other identifying information of any business or governmental entity or (ii) otherwise bears the appearance of a commercial Vehicle by reason of its normal contents (e.g. trade goods, extensive tools, ladders), as reasonably determined by the Architectural Committee shall be referred to as a "Commercial Vehicle." Commercial Vehicles shall only be permitted with Board approval. Tractor trailers and commercial shipping rigs shall be strictly prohibited. The Association shall have the right to have any Vehicle parked, kept, maintained, constructed, reconstructed or repaired in violation of the Project Documents towed away at the sole cost and expense of the owner of the Vehicle or equipment. Any expense incurred by the Association in connection with the towing of any Vehicle shall be paid to the Association by the owner of the Vehicle. If the Vehicle towed is owned by an Owner, then the cost incurred by the Association in towing the vehicle or equipment shall be assessed against the Owner and his Lot and be payable on demand, and such cost shall be secured by the Assessment Lien.

Section 5.7. Restrictions and Further Subdivision. No lot shall be further subdivided or separated into smaller lots or parcels by any Owner other than the Declarant, and no portion less than all or an undivided interest in all of any lot shall be conveyed or transferred by any Owner other than by the Declarant.

Section 5.8. No Timesharing. No Lot shall be made subject to or be operated as a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Lot rotates among participants in the program on a fixed or floating time schedule over a period of years.

Section 5.9. Landscaping; Fencing. No landscaping improvements shall be installed or removed on Lots by the Owners thereof except with the written approval of the Architectural Committee and no landscaping improvements that are not comprised of native vegetation shall be allowed whatsoever. Without limitation, this Section 5.9 shall not apply to landscaping installation or removal by Declarant or any Designated Builder. The following fencing restrictions apply on all Lots, except that they do not apply to initial installation by Declarant: (i) no fences are allowed on any Lot without approval of the Architectural Committee; (ii) no chain link fences are allowed on a Lot; (iii) solid wood privacy or vinyl privacy fence 6 feet or less in height may be allowed by the Architectural Committee along the perimeter of any Lot behind the rear of the Residential Unit only; (iv) all other perimeter fences approved on any Lot by the Architectural Committee must be rail type or picket fences with at least 50% of surface area open; (v) privacy fences may be approved by the Architectural Committee around pools or patios in rear yards with a maximum height of six (6) feet; and (vi) unless approved by the Architectural Committee, no fences may be installed any further forward than six (6) feet forward from the rear corner of any Residential Unit.

Section 5.10. Declarant's and Designated Builder Exemption. Nothing contained in this Declaration shall be construed to prevent the construction, installation or maintenance by a Declarant (or its designated agents and contractors) or a Designated Builder (subject to approval by Declarant) during the period of development, construction, performance of warranty work, sales and marketing on the Property, or any production homes, model homes and sales offices and parking incidental thereto, construction trailers, landscaping, construction fencing or signs deemed necessary or convenient by a Declarant or a Designated Builder (subject to the approval of Declarant), in their sole discretion, to the development, construction, sale and marketing of property within the Property. Any actions taken by a Designated Builder pursuant to this section shall require the prior approval of Declarant, which shall not be unreasonably withheld. The Association shall take no action that would interfere with access to or use of model homes; without limitation of the foregoing, the Association shall have no right to close private streets to access by members of the public desiring access to model homes.

Section 5.11. Leasing Restrictions. All tenants shall be subject to the terms and conditions of this Declaration and the other Project Documents. Each Owner shall cause his, her or its tenants or other occupants to comply with this Declaration and the Project Documents and, to the extent permitted by applicable law, shall be responsible and liable for all violations and losses caused by such tenants or occupants, notwithstanding the fact that such tenants or occupants are also fully liable for any violation of each and all of those documents. All leases shall be in writing and shall contain the following language "*Tenant shall obey, adhere to and be bound by all provisions of the Declaration of Covenants, Conditions and Restrictions for Autumn Lakes Subdivision recorded in the Office of the Register of Deeds for Wake County, North Carolina. Tenant acknowledges that he has received of a copy such Declaration-and the rules and regulations of the Association and is familiar with the provisions of same.*" If an Owner fails to include said provision in any lease or sublease, then notwithstanding the failure of its inclusion, it shall be conclusively deemed to be included and part of said lease or sublease. Owner shall furnish the Association a copy of any leases or subleases of his Lot and/or Residential Unit. No Lot may be leased for a period of less than six (6) months. In no event shall any signs advertising residential property for lease or rent be displayed within 24 months after the initial conveyance of a Lot with a Residential Unit constructed thereon to an Owner from Declarant or from a Designated Builder.

The provisions of this Section 5.11 shall not apply to any Declarant's or any Designated Builder's use of Lots owned by (or leased to) a Declarant or a Designated Builder, as applicable, as a model home or for marketing purposes. All Owners shall notify the Association when and if their Residential Unit is to be leased. Upon request by the Board, the Owners must furnish the Association with copies of any current leases and accurate contact information for the tenants. Owners leasing their Residential Unit shall provide the Association with an updated mailing address and contact information for such Owner.

WITHOUT LIMITATION, ALL OWNERS ARE ON NOTICE THAT IN THE EVENT THAT ANY HUD, FNMA, FNMA, FHA, VA OR ANY OTHER AGENCY OR RELATED LENDING RULES OR GUIDELINES REQUIRE REMOVAL OF THIS RESTRICTION, DECLARANT MAY UNILATERALLY REMOVE THIS RESTRICTION AT ANY TIME (EACH OWNER AGREEING BY ACCEPTANCE OF A DEED FOR A UNIT THAT THE FREE ALIENABILITY OF UNITS AND ABILITY OF CONSUMERS TO FINANCE THE SAME IS OF PARAMOUNT IMPORTANCE AND WOULD TRUMP ANY RELIANCE ON THIS RESTRICTION AS A MATERIAL CONSIDERATION).

Section 5.12. Animals. No animals, livestock or poultry of any kind shall be raised, bred, or kept on any Lot, except that a reasonable number of cats, dogs, and other household pets may be kept provided they are kept within the residence and are not kept, bred, or maintained for any commercial purposes or become a nuisance to the neighborhood. No person owning or having custody of an animal shall allow the animal to stray or go upon another Owner's Lot without the consent of such other Owner. No animals shall be permitted on or in the Common Area at any time except as permitted by the rules and regulations of the Association or by applicable law. All animals shall be on a leash when outside the Owner's Residential Unit.

Section 5.13. Dogs and Dog Parks. Owners shall be allowed to walk dogs on Common Areas, provided that the dogs shall remain on a leash at all times, and Owners shall pick up after the dogs, removing any pet waste from the Common Areas and from any other Owner's Lot.

(A) Dog Park. Notwithstanding any restrictions elsewhere in this section or in this Declaration, certain Common Areas may (but need not) be designated as areas for particular use by dogs and their owners ("Dog Park"). Any Dog Park shall be fenced completely, shall be the only Common Areas upon which dogs are allowed to be off leash and additional Association Rules may be adopted in relation to a Dog Park (if applicable "Dog Park Rules"). As an example and not as a requirement or a limitation, a Dog Park Rule would be to require key access to the Dog Park. Dog Park Rules shall be part of the Association Rules and shall be within the sole discretion of the Board and shall be applicable to all who utilize the Dog Park. The Dog Park shall be for use of Owners and occupants of Lots only ("Dog Park Users"), and only for their dogs (and no other animals). The following covenants and restrictions shall apply to Dog Park(s) and their use:

(i) Without limitation, the Board may fine Dog Park Users for violations of Dog Park Rules and damages in/to Dog Parks, subject to the limitations on fines set

forth herein or in the Bylaws. All Dog Park Users shall be responsible for cleaning up after their dogs, this is to include removal of all pet waste from the Dog Park(s).

(ii) Any damage or injury caused by a Dog Park User or their pet to another Dog Park User or their pet, shall not be the responsibility of the Declarant, the Association, or the Board and their respective agents, officers, directors. Dog Park Users bringing dogs into Dog Park(s) shall indemnify and hold harmless the Declarant, Association, Board, and their agents, officers, and directors as to all liability for damages and injuries taking place in relation to the use of the Dog Park. Entry into the Dog Park(s) is at the risk of the Dog Park Users who are responsible and liable for any damage to property, persons, or other animals caused by their dog(s). The Association is not responsible for any injuries caused by dogs to other dogs or persons.

(iii) All Dog Park Users shall be responsible for the actions and behaviors of their dogs. The Association shall reserve the right to ban Dog Park Users from Dog Park(s) for Violation of the Dog Park Rules, this shall be in the Board's sole discretion.

(iv) Dogs shall never be left unattended by Dog Park Users, under any circumstances. Dogs must be in visual and voice command control of the responsible Dog Park Users at all times.

(v) No person under the age of eighteen (18) years of age shall be permitted in the Dog Park(s) without adult supervision by a Dog Park User. No person who is not a Dog Park User shall be permitted to be in the Dog Park(s) without a Dog Park User present at all times. No person, other than a person who is bringing a dog to the Dog Park(s), or accompanying an individual with a dog, shall be allowed in the Dog Park(s).

(vi) No aggressive breeds of dogs, nor dogs with documented histories of aggression shall be permitted to use the Dog Park(s) at any time.

(vii) The Dog Park(s) shall be closed to all between dusk and dawn.

(viii) All Dog Park Users using the Dog Park(s) shall comply with North Carolina General Statute 130A-185 as to Vaccinations for dogs and all other applicable North Carolina laws, as well as all municipal ordinances as applicable.

Section 5.14. Drilling and Mining. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind, shall be permitted upon or in any lot nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted on any lot. No "fracking" shall be permitted and no derrick or other structure designed for use in boring for or removing water, oil, natural gas or other minerals shall be erected, maintained or permitted upon any lot.

Section 5.15. Refuse. All refuse, including without limitation all animal wastes, shall be regularly removed from the lots and shall not be allowed to accumulate thereon. Until removal from the lots, refuse shall be placed in closed refuse containers with operable lids so that such containers are not open to the air. Refuse containers shall be kept clean, sanitary and free of noxious odors. Refuse containers shall be kept inside of Residential Units, or otherwise so as not

to be Visible from Neighboring Property, except to make the same available for collection and then only for the shortest time reasonably necessary to affect such collection.

Section 5.16. Antennae / Satellite Dishes. No exterior antenna or satellite dish (all together "Receiver") greater in size than 21 inches in diameter may be placed on any Residential Unit or otherwise on any Lot except in a location where it is not visible to a person six feet (6') tall standing on any portion of the street(s) on which the applicable Lot fronts. Furthermore, the location, appearance, screening from view, installation, and all other aspects of the Receiver and placement of the same shall be subject to the prior written approval of the Architectural Committee to the extent said Architectural Committee adopts further rules and regulations regarding placement and screening of Receivers. Receivers shall be strictly prohibited, regardless of size or appearance, in the front and side yards of all Lots. Receivers shall conform to the restrictions of this section as to size and appearance and are for back yard use only.

Section 5.17. Clothes Drying Facilities. No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Lot, unless otherwise approved by the Architectural Committee.

Section 5.18. Drainage and Grading; Use of Retention/Detention Facilities. Stormwater Facilities are for the purposes of directing and storing natural flow of water. No improvements, obstructions or debris shall be placed in Stormwater Facilities. No Owner or occupant may obstruct or rechannel the drainage flows after location and installation of Stormwater Facilities. Each Owner shall be responsible for maintaining all Stormwater Facilities located on its Lot. Required maintenance shall include, but not be limited to, maintaining ground cover in drainage areas and removing any accumulated debris from catch basins and drainage areas. Each Owner shall be responsible for controlling the natural and man-made water flow from its Lot. No Owner shall be entitled to overburden the Stormwater Facilities within any portion of the Property with excessive water flow from its Lot. Owners shall be responsible for all remedial acts necessary to cure any unreasonable drainage flows from Lots. Neither the Association nor the Declarant bears any responsibility for remedial actions to any Lot. No Person shall alter the grading of any Lot without prior approval pursuant to Section 5.19 of this Declaration. Declarant hereby reserves for itself and the Association a perpetual easement across the Property for the purpose of altering drainage and water flow. The exercise of such an easement shall not materially diminish the value of or unreasonably interfere with the use of any Lot without the Owner's consent. Swimming and bathing in any Stormwater Facilities is prohibited. Docks or other structures shall not be erected in Stormwater Facilities without the prior written consent of the Architectural Committee. All other uses of Stormwater Facilities shall be subject to the prior written approval of the Board and such rules and regulations as the Association may adopt from time to time.

Section 5.19. Architectural Control. In addition to all the foregoing restrictions in this Article V, and in addition to all other terms and provisions in this Declaration, the following shall apply except that in no event shall this Section 5.19 apply to any design, development, construction, landscaping, grading, sales, marketing or any other activities of or at the direction of Declarant:

(A) No excavation or grading work shall be performed on any Lot without the prior written approval of the Architectural Committee. Each Owner altering any grading or drainage on a Lot shall ensure that such alterations comply with all requirements of any grading or drainage plan approved by any governmental entity having jurisdiction over the Property and that such alterations do not alter or impede the flow of storm water from the manner existing prior to such alterations. Approval of plans or proposed improvements by the Architectural Committee shall not constitute a waiver of the foregoing requirement or a warranty that such plans or improvements are consistent with this requirement or any other requirement of this Declaration, the Association Rules or Architectural Committee Rules, any governmental requirement or construction industry standard.

(B) No Improvements shall be constructed or installed on any Lot without the prior written approval of the Architectural Committee.

(C) No addition, alteration, repair, change or other work which in any way alters the exterior appearance, including but without limitation, the exterior color scheme, of any Lot, or the Improvements located thereon, shall be made, or done without the prior written approval of the Architectural Committee.

(D) Any Owner desiring approval of the Architectural Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement which would alter the exterior appearance of the Improvement, shall submit to the Architectural Committee a written request for approval specifying in detail the nature and extent of the construction, installation, addition, alteration, repair, change or replacement of any Improvement which the Owner desires to perform. Any Owner requesting the approval of the Architectural Committee shall also submit to the Architectural Committee any additional information, plans and specifications which the Architectural Committee may request. In the event that the Architectural Committee fails to approve or disapprove an application for approval within sixty (60) days after actual receipt of the application, together with all supporting information, plans and specifications requested by the Architectural Committee, approval will not be required and this section will be deemed to have been complied with by the Owner who had requested approval of such plans.

(E) The approval by the Architectural Committee of any construction, installation, addition, alteration, repair, change or other work pursuant to this section shall not be deemed a waiver of the Architectural Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change or other work subsequently submitted for approval.

(F) Upon receipt of written approval from the Architectural Committee for any construction, installation, addition, alteration, repair, change or other work, the Owner who had requested such approval shall proceed to perform, construct or make the construction, installation, addition, alteration, repair, change or other work approved by the Architectural Committee as soon as practicable and shall diligently pursue such work so that it is completed as soon as reasonably practical and within such time as may be prescribed in writing by the Architectural Committee.

(G) The approval of the Architectural Committee required by this section shall be in addition to, and not in lieu of, any approvals, consents or permits required under the

ordinances or rules and regulations of any county or municipality having jurisdiction over the Project.

(H) The provisions of this section shall not apply to, and approval of the Architectural Committee shall not be required for, the construction, erection, installation, addition, alteration, repair, change or replacement of any Improvements made by, or on behalf of, the Declarant.

(I) In no event shall the Association, the Architectural Committee or any member of the Architectural Committee have any liability for any action or inaction by the Architectural Committee or its members, including without limitation any approval or disapproval of plans by the Architectural Committee. The sole remedy for an Owner asserting that the Architectural Committee has improperly withheld approval or has improperly granted approval shall be an action to compel the Architectural Committee to take appropriate action. In no event shall any damages of any nature be awarded against the Association, the Architectural Committee, or any member of the Architectural Committee of any nature arising from any action or inaction described in this Section 5.19.

(J) Each Owner is strongly advised to consult with independent architects and engineers to ensure that all improvements or alterations made by such Owner are safe and in compliance with applicable governmental requirements. No approval by the Architectural Committee shall constitute a guaranty or warranty by the Association, the Architectural Committee, or any member of the Architectural Committee that the matters approved will comply with this Declaration, any Association Rules or Architectural Committee Rules, or any applicable governmental requirements or that any plans or improvements are safe or properly designed. The Owner constructing or altering any improvements shall indemnify, defend and hold the Association harmless from (i) any claims or damages of any nature arising from such improvements or alterations or any approval thereof by the Architectural Committee and (ii) any claim that the Association, the Architectural Committee or any member of the Architectural Committee breached any duty to other Owners in issuing approval of such Owner's improvements or alterations.

(K) HVAC. Except as initially installed by the Declarant or a Designated Builder and except for replacement units as described below, no heating or air conditioning unit shall be placed, constructed or maintained upon any Lot without the prior written approval of the Architectural Committee. In the event a heating or air conditioning unit needs to be replaced, an Owner may install a replacement unit in the same or substantially same location as the original unit without the approval of the Architectural Committee. Any air conditioning units designed to be installed in the window of a Unit, is strictly prohibited, without approval from the Architectural Committee for temporary, or emergency use only.

(L) Garages and Driveways. The interior of all garages situated on any Lot shall be maintained in a neat and clean condition. Garages shall be used only for the parking of vehicles and the storage of normal household supplies and materials and shall not be used for or converted to living quarters or for recreational activities after the initial construction thereof without the prior written approval of the Architectural Committee. Garage doors shall be left open only as needed for ingress and egress.

(M) Playground Equipment/Sports Goals. No playground equipment shall be allowed, unless approved in writing by the Architectural Committee prior to installation or construction on any Lot, except that portable basketball goals may be used in driveways, but must be kept upright and in like new condition, in good, clean working order at all times.

(N) Refuse Storage. No refuse storage screening, fencing, or other such structure or improvement is allowed, except with written approval by the Architectural Committee, and must comply in all other regards with the Architectural restrictions of this Declaration. Approval is in the sole discretion of the Architectural Committee, and approval may be withheld for any reason.

ARTICLE VI RESERVATION OF RIGHT TO RESUBDIVIDE AND REPLAT

Subject to the approval of any and all appropriate governmental agencies having jurisdiction, Declarant, for itself and any Designated Builder, hereby reserves the right at any time, without the consent of other Owners, for Declarant or any Designated Builder (as applicable) to resubdivide and replat any Common Area, Lot or Lots or parcels which the Declarant or any Designated Builder (as applicable) then owns and has not sold or otherwise conveyed to the Association.

ARTICLE VII INTENTIONALLY DELETED

ARTICLE VIII MAINTENANCE BY OWNER

Each Owner shall maintain his Residential Unit and Lot in good repair. The Residential Unit and the yards and landscaping on all improved Lots shall be neatly and attractively maintained, and shall be cultivated and planted to the extent required to maintain an appearance in harmony with other improved Lots in the Property. If any sidewalk is partially or completely located on an Owner's Lot and third parties have an easement to use such sidewalk, then the Association (and not the Owner) shall be responsible for the maintenance and repair of such sidewalk. During prolonged absence, an Owner shall arrange for the continued care and upkeep of his Lot. Except for areas owned by the Association or that the Association has elected in writing to maintain, which election may be terminated by the Association at any time, each Owner shall also maintain in good condition and repair any landscaping and sidewalk improvements that are within the portion of any adjacent right of way that is located between such Owner's Lot and the curb of the adjacent street and/or the shoulders of the streets located within the right-of-way fronting its Lot. In the event a Lot Owner fails to fulfill his maintenance and repair obligations under this Article or in the event an Owner fails to landscape his Lot as required by Section 5.9 of Article V, the Architectural Committee may have said lot and Residential Unit landscaped, cleaned and repaired and may charge the lot Owner for said work in accordance with the provisions of said section. An Owner shall not allow a condition to exist on his Lot which will adversely affect any other Lots and Residential Units or other Owners. Any repainting or redecorating of the exterior

surfaces of a residence which alters the original appearance of the Residential Unit will require the prior approval of the Architectural Committee.

ARTICLE IX RIGHTS AND EASEMENTS

Section 9.1. Owner's Easements of Enjoyment.

(A) Every Member, and any person residing with such Member, shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the provisions of the Act and to the following provisions:

(i) The right of the Association to charge reasonable admission and other fees for the use of any recreational or other facility situated upon the Common Area, including, but not limited to, any recreational vehicle storage area located upon the Common Area. The Association shall also have the right to restrict the use of such recreational vehicle storage area to only those Owners or lawful occupants of a Residential Unit who do not have such a recreational vehicle storage area available to them through a neighborhood association. The Association may permit the use of any recreational vehicle storage area situated upon the Common Area by persons who are not Members of the Association provided the Association charges such persons a reasonable admission fee or use fee for the use of such recreational vehicle storage area.

(ii) The right of the Association after Notice and Opportunity for Hearing to suspend the voting rights and right to the use of the recreational facilities, if any, located upon Common Area by any Member for any period during which any Assessment against his Lot remains delinquent.

(iii) Subject to §47F-3-112 of the Act, the right of the Association to convey or encumber 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 Board; provided, however, that any such action taken at any time that Declarant owns any Lot shall be subject to the approval of Declarant. If ingress or egress to any Lot is through the Common Area, any conveyance or encumbrance of the Common Area shall be subject to the Lot Owner's easement of ingress and egress.

(iv) The right of the Association to regulate the use of the Common Area through the Association Rules and to prohibit or limit access to such portions of the Common Area, such as landscaped rights-of-way, not intended for use by the Owners or other lawful occupants of a Residential Unit.

(B) If a Lot is leased or rented by the Owner thereof, the tenant and the members of his family residing with such tenant pursuant to the lease shall have the right to use the Common Area during the term of the lease, and the Owner of such Lot shall have no right to use the Common Area until the termination or expiration of such lease.

(C) Subject to the provisions of this Declaration and Association Rules, the guest and invitees of any Member or other person entitled to use the Common Area pursuant to

this Declaration may use any recreational facility located on the Common Area provided they are accompanied by a Member or other person entitled to use the recreational facilities pursuant to this Declaration. The Board shall have the right to limit the number of guests and invitees who may use the recreational facilities located on the Common Area at any one time and may restrict the use of the recreational facilities by guests and invitees to certain specified times.

Section 9.2. Drainage Easements. There is hereby created a blanket stormwater management easement for drainage of ground water on, over and across each lot in such locations as Stormwater Facilities are located. An Owner shall not at any time hereafter fill, block or obstruct any Stormwater Facilities on his lot and each Owner shall repair and maintain all Stormwater Facilities located on his lot. No structure of any kind shall be constructed and no vegetation shall be planted or allowed to grow within the drainage easements which may impede the flow of water under, over or through the easements or which may materially increase the flow of water onto another lot. All drainage areas shall be maintained by the Owner of the lots on which the easement area is located.

Section 9.3. Utility Easements. Except as installed by the Declarant or approved by the Architectural Committee, no lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, cable and radio signals, shall be erected, placed or maintained anywhere in or upon any lot unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures. No structure, landscaping or other improvements shall be placed, erected or maintained upon any area designated on the Plat as a public utility easement which may damage or interfere with the installation and maintenance of utilities. Such public utility easement areas, and all improvements thereon, shall be maintained by the Owner of the lot on which the easement area is located unless the utility company or a county, municipality or other public authority maintains said easement area. There is hereby created a blanket easement upon, across, over and under the Property for ingress to, egress from and the installation, replacing, repairing and maintaining of all utility and service lines and systems including, but not limited to, water, sewer, gas, telephone, electricity, cable or communication lines and systems, such as utilities are installed in connection with the initial development of each Lot. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the Lots and Common Areas and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings thereon. Notwithstanding anything to the contrary contained in this section, no sewers, electrical lines, water lines, or other utility or sewer lines may be installed or relocated within the Property except as initially created or approved by Declarant without the prior written approval of, in the case of a Common Area, the Association and the Architectural Committee or, in the case of a Lot, the Owner of such Lot and the Architectural Committee. Nothing contained herein shall entitle Declarant or any utility in exercising the rights granted herein to disturb any Residential Unit constructed in accordance with the requirements hereof. Declarant further reserves temporary construction easements for utility lines, maintenance of storage tanks and facilities and access to and from such facilities.

Section 9.4. Encroachments. The lots shall be subject to an easement for overhangs and encroachments by walls, fences or other structures upon adjacent lots as constructed by the original builder thereof or as reconstructed or repaired in accordance with the original plans

and specifications or as a result of the reasonable repair, shifting, settlement or movement of any such structure.

Section 9.5. Declarant's Easement. Declarant, for itself and any Designated Builder(s) (as applicable), hereby reserves easements, together with the right to grant and transfer same, over the lots for the installation and maintenance of electric, telephone cable, communications, water, gas, drainage and sanitary sewer or similar or other lines, pipes or facilities: (i) as shown on the recorded Plat or (ii) as may be hereafter reasonably necessary or desirable for Declarant or a Designated Builder (as applicable) to develop, construct, install or otherwise provide any service to any lot (provided, however, no utility other than a connection line to a Residential Unit served by the utility shall be installed in any area upon which a Residential Unit has been or may legally be constructed on the lot).

Section 9.6. Easements to Facilitate Development. Declarant hereby reserves to itself; all Designated Builders, and their successors and assigns the right to: (a) use any Lots owned or leased by such party, or any other Lot with written consent of the Owner thereof or, with the approval of a majority of Declarant and the Designated Builders (based on the number of lots owned by each such party), any portion of the Common Area as models, management offices, sales offices, a visitors' center, construction, construction offices, customer service offices or sales office parking areas; and (b) with the approval of a majority of Declarant and the Designated Builders (based on the number of lots owned by each such party), install and maintain on the Common Area, any Lot owned or leased by such party, or any other Lot with the consent of the Owner thereof, such marketing, promotional or other signs which the Declarant or a Designated Builder deem necessary for the development, sale or lease of the Property.

Section 9.7. Dedications and Easements Required by Governmental Authority. Declarant hereby reserves to itself and its successors and assigns, the right to make any dedications and to grant any easements, rights-of-way and licenses required by any government or governmental agency over and through all or any portion of the Common Area.

Section 9.8. Duration of Development Rights; Assignment. The rights and easements reserved by or granted to the Declarant pursuant to this Article 9 shall continue so long as any Declarant owns one or more Lots or holds an option to purchase one or more Lots. Declarant may make limited temporary assignments of its easement rights under this Declaration to any person or entity performing construction, installation or maintenance on any portion of the Property.

Section 9.9. Easement for Maintenance and Enforcement. The Association and its directors, officers, agents, contractors and employees, the Architectural Review Committee and any other persons and entities authorized by the Board are hereby granted the right of access over and through any Lots (excluding the interior of any Residential Unit), for (i) the exercise and discharge of their respective powers and responsibilities under the Project Documents; (ii) making inspections in order to verify that all Improvements on the Lot have been constructed in accordance with the plans and specifications for such Improvements approved by the Architectural Committee and that all Improvements are being properly maintained as required by the Project Documents; (iii) correcting any condition originating in a Lot or in the Common Area threatening another Lot or the Common Area; (iv) performing installations or maintenance of utilities, landscaping or other

improvements located on the Lots for which the Association is responsible for maintenance; or (v) correcting any condition which violates the Project Documents.

Section 9.10. Rights of Declarant and Designated Builders. Notwithstanding any other provision of this Declaration to the contrary, the Declarant and each Designated Builder has the right to maintain construction trailers, model homes and sales offices on Lots owned or leased by such party and to construct and maintain parking areas for the purpose of accommodating persons visiting such construction trailers, model homes and sales offices and employees and contractors of such party.

Section 9.11. Corrective Declarant Rights. Without limiting any other rights reserved herein, Declarant reserves for itself, and others it may designate, the right (but does not hereby obligate itself) to inspect, monitor, test, redesign, and correct any structure, improvement, or condition (including any wall, swale or lack thereof) which may exist on any portion of the Property, including on Lots, and a perpetual, nonexclusive easement of access throughout said Property, all to the extent reasonably necessary to exercise the rights described in this Article 9. Except in an emergency, entry onto a Lot for the purposes described in this Article 9 shall be only after reasonable notice to the Owner and no entry into a Residential Unit shall be permitted without the consent of the Owner. The person exercising this easement described in this Article 9 shall promptly repair, at such person's own expense, any damage resulting from such exercise.

Section 9.12. Project Easements; Maintenance. Without limiting any existing rights in the Declaration, and in addition thereto, Declarant, for itself, its successors and assigns, including but not limited to the Association, hereby reserves easements (and the right to later convey/reserve the same) over any portion of any Lot or otherwise within the Property designated as "Project Easement" or other similar designation (in any case, a "Project Easement"), on any currently or subsequently recorded plat, easement instrument, or other instrument (for example in an amendment or supplement to the Declaration), recorded by Declarant in the Registry during such time as Declarant owns any portion of the Property. Every Project Easement shall be for all of the following purposes: installation, construction, operation and maintenance of landscaping, berms, retaining walls, drainage and stormwater facilities, utilities, lighting and sprinkler systems, monuments, fencing, signage, streets and other improvements installed by or at the direction of Declarant in conjunction with development of the Property. No fences, structures, driveways, plantings, swing-sets or any other objects, temporary or permanent, shall be permitted on any Project Easement area other than those initially installed by Declarant or its designated successor, without Declarant's prior written approval, or, after all Lots are occupied by Owners, without the approval required under this Article 9. The Association shall at all times have the right of access for its employees, agents and subcontractors over Project Easement areas for the purpose of constructing, improving, repairing, replacing, landscaping, planting, mowing and otherwise maintaining the area and improvements within such easements, and shall likewise have the right (but not the obligation) to do so. In the event that the Association (in the sole discretion of the Board) opts to maintain or otherwise undertake activities within the Project Easement area (and consistent with the scope of said Project Easement), then any costs incurred by the Association in doing so shall be assessed against all Owners as part of the assessments under the Declaration and enforceable as the same. Notwithstanding any of the foregoing, the Owner of any Lot containing any portion of a Project Easement shall maintain all portions thereof that are not maintained or landscaped by the Declarant or the Association. The reservation of this

easement imposes no obligation on Declarant, its successors and assigns, or the Association, to continue to maintain the planting, retaining walls, landscaping or other improvements located within the described easements.

ARTICLE X MAINTENANCE

Section 10.1. Maintenance by the Association. The Association shall be responsible for the maintenance, repair and replacement of the Common Area and may, without any approval of the Owners being required, do any of the following:

(A) Reconstruct, repair, replace or refinish any Improvement or portion thereof upon any such area (to the extent that such work is not done by a governmental entity, if any, responsible for the maintenance and upkeep of such area);

(B) Construct, reconstruct, repair, replace or refinish any portion of the Common Area used as a road, street, walk, driveway and parking area;

(C) Replace injured and diseased trees or other vegetation in any such area, and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

(D) Place and maintain upon any such area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof;

(E) Construct, maintain, repair and replace landscaped areas on any portion of the Common Area;

(F) Maintain any portion of the Common Area on which Stormwater Facilities are located; and

(G) Intentionally Omitted.

(H) Do all such other and further acts which the Board deems necessary to preserve and protect the Common Area and the appearance thereof, in accordance with the general purposes specified in this Declaration.

Neither Declarant nor any Builder within the Property shall be responsible for maintenance, repair or replacement of Common Areas or improvements thereon owned by the Association, provided, however, that any express or implied warranties provided by any provider of labor or materials in connection with improvements shall be deemed assigned to the Association when the Common Area is transferred to the Association. This paragraph shall not be subject to amendment without the written approval of the Declarant.

Section 10.2. Damage or Destruction of Common Area by Owners. No Owner shall in any way damage or destroy any Common Area or interfere with the activities of the Association in connection therewith. Any expenses incurred by the Association by reason of any

such act of an Owner shall be assessed against (as an individual assessment) and paid by said Owner, upon demand, to the Association.

Section 10.3. Payment of Utility Charges. Each Lot shall be separately metered for water and electrical service and all charges for such services shall be the sole obligation and responsibility of the Owner of each Lot. The cost of water and electrical service to the Common Area shall be a Common Expense of the Association, shall be included in the budget of the Association and shall be charged to the Owners as a part of the Common Expenses.

Section 10.4. Cluster Mailboxes. Declarant may install one (1) or more cluster mailboxes on the Property and may assign a single box in each cluster for each Lot. If cluster mailboxes are installed and assigned to a Lot then the Owner of said Lot may not install any additional mailbox on its Lot. The Association shall be responsible for the maintenance, repair and replacement (if necessary) of all cluster mailboxes, with any and all costs associated with the same being a Common Expense. Declarant may install, maintain, repair and/or replace cluster mailboxes on any portion of the Common Area or in any easement area shown on any record Plat (including any easement on a Lot if applicable). Notwithstanding the foregoing, if at the time of any conveyance, cluster mailboxes are located on any portion of any Lot, the Association shall have an easement over said Lot as reasonably necessary for maintenance, repair and replacement of the same, regardless of whether or not said easement is shown on a record Plat. Except that the Association shall maintain, repair and replace any cluster mailboxes so as to keep the same in good working order (with each Owner having the duty to report any problems with its mailbox to the Board), neither the Association, the Board, nor Declarant shall have any liability relative to condition, operation or access of/to the cluster mailboxes (or any events/actions/occurrences arising from the same or lack of the same) AND BY ACCEPTANCE OF THE DEED FOR ANY LOT, EACH OWNER THEREBY WAIVES ANY OR ALL CLAIMS, ACTIONS AND/OR DAMAGES REGARDING OR ARISING OUT OF THE SAME, AGAINST THE BOARD, THE ASSOCIATION OR THE DECLARANT.

Section 10.5. Landscaping Replacement. Landscaping originally planted on the Common Areas may exceed the landscaping that is ultimately planned for Common Areas due to over-planting in anticipation of normal plant losses. The Board is hereby granted the authority to remove and shall not be required replace dead or damaged landscaping if, in the reasonable discretion of the Board, (a) the remaining landscaping is acceptable to the Board and (b) the remaining landscaping is generally consistent in quality and quantity with the landscaping shown on approved landscaping plans filed with governmental entities in connection with Property, even if the location of specific plants is different than the locations shown on such approved landscaping plans. Neither Declarant nor any other installer of landscaping in Common Areas shall be responsible for replacement of landscaping that dies more than ninety (90) days following installation or that requires replacement due to vandalism, lack of proper watering or maintenance by Association, or damage due to negligence; the Association shall be solely responsible for such replacement (subject to potential recovery by the Association from any vandal or negligent person).

Section 10.6. Alteration of Maintenance Procedures. Following the termination of the Class B membership and so long as Declarant owns any lot, the Association shall not, without the written approval of Declarant, alter or fail to follow the maintenance and repair

procedures recommended by the Association's management company as of the termination of the Class B membership unless such alteration will provide for a higher level of maintenance and repair. Declarant shall have the right, but not the obligation, to perform any required maintenance or repair not performed by the Association within ten (10) business days following notice from Declarant that such maintenance or repair is required under this section; and, if Declarant performs such maintenance or repair, the costs incurred by Declarant shall be reimbursed by the Association within thirty (30) days following written demand for reimbursement accompanied by copies of invoices for such costs. This section shall not be subject to amendment without the written approval of the Declarant.

ARTICLE XI INSURANCE

Section 11.1. Scope of Coverage. Commencing not later than the time of the first conveyance of a Lot to a person other than the Declarant, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

(A) Property insurance on the Common Area insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Common Area, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred percent (100%) of the then-current replacement cost of the insured Property, exclusive of land, excavations, foundations and other items normally excluded from a Property policy;

(B) Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board, but not less than \$1,000,000.00. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and Property damage arising out of or in connection with the use, ownership or maintenance of the Common Area, and shall also include hired automobile and non-owned automobile coverages with cost liability endorsements to cover liabilities of the Owners as a group to an Owner and provide coverage for any legal liability that results from lawsuits related to employment contracts in which the Association is a party;

(C) Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of North Carolina;

(D) Such other insurance as the Association shall determine from time to time to be appropriate to protect the Association or the Owners;

(E) The insurance policies purchased by the Association shall, to the extent reasonably available) contain the following provisions:

(i) Each Owner is an insured owner under the policy to the extent of the Owner's insurable interest;

(ii) That there shall be no subrogation with respect to the Association, its agents, servants, and employees, with respect to Owners and members of their household;

(iii) No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy;

(iv) That the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners or their mortgagees or beneficiaries under deeds of trust;

(v) A “severability of interest” endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners;

(vi) The Association shall be named as the Insured;

(vii) For policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the first mortgagee named in the policy at least thirty (30) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy;

(F) If the Property is located in an area identified by the Secretary of Housing & Urban Development as an area having special flood hazards, a policy of flood insurance on the Common Area must be maintained in the lesser of one hundred percent (100%) of the current replacement cost of the buildings and any other Property covered by the required form of policy or the maximum limit of coverage available under the National Insurance Act of 1968, as amended; and

(G) “Agreed Amount” and “Inflation Guard” endorsements.

Section 11.2. Certificates of Insurance. An insurer that has issued an insurance policy under this Article shall be required to issue certificates or a memorandum of insurance to the Association and, upon request, to any Owner, mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner and each mortgagee or beneficiary under deed of trust to whom certificates of insurance have been issued.

Section 11.3. Fidelity Bonds.

(A) The Association shall maintain blanket fidelity bonds for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association, including, but without limitation, officers, directors and employees of any management agent of the Association, whether or not they receive compensation for their services. The total amount of fidelity bond maintained by the Association shall be based upon the best business judgment of the Board, and shall not be less than the greater of (i) the amount equal to one hundred percent (100%) of the estimated annual operating expenses of the Association, (ii) the estimated maximum amount of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond, (iii) the sum equal to three (3) months assessments on all Lots plus adequate

reserve funds. Fidelity bonds obtained by the Association must also meet the following requirements:

- (i) The fidelity bonds shall name the Association as an obligee;
- (ii) The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of “employees” or similar terms or expressions; and
- (iii) The bonds shall provide that they may not be canceled or substantially modified (including cancellation from non-payment of premium) without at least ten (10) days prior written notice to the Association.

(B) The Association shall require any management agent of the Association to maintain its own fidelity bond in an amount equal to or greater than the amount of the fidelity bond to be maintained by the Association pursuant to subsection (A) of this section. The fidelity bond maintained by the management agent shall cover funds maintained in bank accounts of the management agent and need not name the Association as an obligee.

Section 11.4. Payment of Premiums. The premiums for any insurance obtained by the Association pursuant to this Article shall be a Common Expense and included in the budget of the Association and shall be paid by the Association.

Section 11.5. Insurance Obtained by Owners. Each Owner shall be responsible for obtaining property insurance for his own benefit and at his own expense covering his Lot, and all Improvements and personal property located thereon. Each Owner shall also be responsible for obtaining at his expense personal liability coverage for death, bodily injury or Property damage arising out of the use, ownership or maintenance of his Lot.

Section 11.6. Payment of Insurance Proceeds. With respect to any loss to the Common Area covered by Property insurance obtained by the Association in accordance with this Article 11, the loss shall be adjusted with the Association and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 11.7 of this Article 11, the proceeds shall be disbursed for the repair or restoration of the damage to Common Area.

Section 11.7. Repair and Replacement of Damaged or Destroyed Property. Any portion of the Common Area damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) this Declaration is terminated, or (ii) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (iii) Owners owning at least eighty percent (80%) of the Lots vote not to rebuild, including one hundred percent (100%) approval assigned to the limited common elements (if any) not to be rebuilt as provided in the Act. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association. If the entire Common Area is not repaired or replaced, insurance proceeds attributable to the damaged Common Area shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds shall be distributed in accordance with the provisions of §47F-3-113(g) of the Act.

Notwithstanding the provisions of this subsection, §47F-2-118 of the Act governs the distribution of the insurance proceeds if this Declaration is terminated.

ARTICLE XII TERM AND ENFORCEMENT

Section 12.1. Enforcement. Subject to the provisions of Section 12.4 and of Article XIII, the Association, the Architectural Committee or any Owner shall have the right (but not the obligation) to enforce the Covenants and Restrictions in this Declaration and any amendment thereto. Failure by the Association, the Architectural Committee or any Owner to enforce the Covenants and Restrictions shall in no event be deemed a waiver of the right to do so thereafter. Deeds of conveyance of the Property may contain the Covenants and Restrictions by reference to this Declaration, but whether or not such reference is made in such deeds, each and all such Covenants and Restrictions shall be valid and binding upon the respective grantees. Violators of any one or more of the Covenants and Restrictions may be restrained by any court of competent jurisdiction and damages awarded against such violators, provided, however, that a violation of these Covenants and Restrictions or any one or more of them shall not affect the lien of any first mortgage or first deed of trust. If the Architectural Committee enforces any provision of the Project Documents, the cost of the enforcement shall be paid by the Association. In addition to any enforcement rights otherwise available to the Association, the Association shall have the right to enforce any provision of this Declaration by directly taking action necessary to cure or remove a breach of this Declaration, including without limitation, removal, repair or replacement of any improvement, sign or landscaping on any portion of the Property; in such event, the Association shall be entitled to recover the costs incurred by the Association in connection with such cure. Pursuant to such cure/removal right of the Association, the Association or its authorized agents may, upon reasonable written notice (or immediately, for willful and recurrent violations, when written notice has previously been given), enter any Lot in which a violation of these restrictions exists and may correct such violation at the expense of the Owner of such Lot; the Association and its agents are hereby granted an easement for such purpose. Such expenses, and such fines as may be imposed pursuant to this Declaration, the Bylaws, or Association Rules, shall constitute and be secured by an Assessment Lien upon such Lot enforceable in accordance with the provisions of this Declaration. All remedies available at law or equity shall be available in the event of any breach of any provision of this section by any Owner, tenant or other person.

Section 12.2. Term. This Declaration shall remain in force and shall run with and bind the Property until terminated in accordance with §47F-2-118 of the Act.

Section 12.3. Amendment. Except as otherwise expressly provided herein, this Declaration may be amended or modified at any time by the vote or written consent of Owners having sixty-seven percent (67%) of the votes entitled to be cast in the Association; provided, however, that any amendment or modification to this Declaration must be consented to by Declarant and/or any Designated Builder so long as Declarant or a Designated Builder (as applicable) is the Owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. Without implication that a vote is required, where it is not, an amendment pursuant to this Section 12.3 shall become effective when an instrument executed by the Owners voting for such amendment or modification is filed of record in the office of the Registry; provided, however, such an amendment or modification, in lieu of being executed by the

Owners voting for such amendment or modification, may contain a certification of the Secretary of the Association stating that the amendment or modification has been voted on and approved by the requisite number of votes of the Owners, as provided in this Section 12.3. A properly executed and recorded amendment may alter the restrictions in whole or in part applicable to all or any portion of the Property and need not be uniform in application to the Property.

Notwithstanding the terms of the immediately preceding paragraph of this Section 12.3, for so long as Declarant owns any real property subject to this Declaration, Declarant, without obtaining the approval of any Owner or Owners, shall have the unilateral right, in its sole and absolute discretion, to make any amendments or modifications hereto which Declarant deems necessary or desirable, including, without limitation, amendments or modifications to any procedural, administrative or substantive provisions of this Declaration.

Any action to challenge the validity of an amendment to this Declaration must be brought within one (1) year of the amendment's effective date. No action to challenge any such amendment may be brought after such time.

Section 12.4. Approval of Litigation. Except for any legal proceedings initiated by the Association to (i) enforce the Covenants and Conditions contained in this Declaration; (ii) enforce the Association Rules; (iii) enforce the Architectural Committee Rules; (iv) collect any unpaid Assessments levied pursuant to this Declaration, or (v) enforce a contract entered into by the Association with vendors providing services to the Association, the Association shall not incur litigation expenses, including without limitation, attorneys' fees and costs, where the Association initiates legal proceedings or is joined as a plaintiff in legal proceedings, without the prior approval of a majority of the Members of the Association entitled to cast a vote who are voting in person or by proxy at a meeting duly called for such purpose, excluding the vote of any Owner who would be a defendant in such proceedings. The costs of any legal proceedings initiated by the Association which are not included in the above exceptions shall be financed by the Association only with monies that are collected for that purpose by special assessment and the Association shall not borrow money, use reserve funds, or use monies collected for other Association obligations. Each Owner shall notify prospective Purchasers of such legal proceedings initiated by the Board and not included in the above exceptions and must provide such prospective Purchasers with a copy of the notice received from the Association in accordance with Section 13.3 of this Declaration. Nothing in this section shall preclude the Board from incurring expenses for legal advice in the normal course of operating the Association to (i) enforce the Project Documents; (ii) comply with the statutes or regulations related to the operation of the Association; (iii) amend the Project Documents as provided in this Declaration; (iv) grant easements or convey Common Area as provided in this Declaration or (v) perform the obligations of the Association as provided in this Declaration. Subject to the exceptions in the first sentence of this section, with respect to matters involving property or improvements to property, the Association (or Board of Directors) additionally shall not initiate legal proceedings or join as a plaintiff in legal proceedings unless (1) such property or improvement is owned either by the Association or jointly by all Members of the Association, (2) the Association has the maintenance responsibility for such property or improvements pursuant to this Declaration, or (3) the Owner who owns such property or improvements consents in writing to the Association initiating or joining such legal proceeding.

Section 12.5. Annexation of Additional Property. Until the later of (a) fifteen (15) years following recordation of this Declaration or (b) termination of the Class B Membership, and thereafter with the approval of the Board, Declarant shall have the right, from time to time or at any time, in its sole discretion and without the consent of any person (other than consent of the owner of the property being annexed), to annex and bring under the encumbrance of the Project Documents: (i) any of that property described on Exhibit B as "Additional Property" and (ii) any other real property that is adjacent to any real property that is then subject to this Declaration; property shall be deemed adjacent if contiguous at any point or if separated only by a street, alley, right-of-way or easement. Annexation shall be effective upon recordation by Declarant of a signed and acknowledged declaration of annexation in the Registry stating that such adjacent real property has been annexed to this Declaration; no consent or approval of such annexation by the Board of Directors or Members of the Association shall be necessary for an annexation by Declarant. Upon annexation, the annexed real property shall be deemed to be part of the "Property" and shall have the same rights, privileges and obligations as the Property originally subject to the terms of this Declaration, including membership in the Association, except that such rights, privileges and obligations shall not include matters arising or accruing prior to annexation; annual assessments shall be prorated for annexed property through the date of annexation.

Section 12.6. De-Annexation of Property. Until the later of (a) fifteen (15) years following recordation of this Declaration or (b) termination of the Class B Membership, Declarant shall have the right, from time to time or at any time, in its sole discretion and without the consent of any person (other than consent of the owner of the property being de-annexed), to delete from the Property and remove from the effect of this Declaration, one or more portions of the Property; provided, however, that a portion of the Property may not be deleted from this Declaration unless at the time of such deletion and removal no Residential Units or material Common Area improvements have been constructed thereon (unless the de-annexation is for the purpose of accomplishing minor adjustments to the boundaries of Lots or the Property). No deletion of Property shall occur if such deletion would act to terminate access to any right-of-way or utility line unless reasonable alternative provisions are made for such access. No deletion of any portion of the Property shall affect the Assessment Lien on the deleted Property for Assessments accruing prior to deletion. Any deletion of Property hereunder shall be made by Declarant recording a notice thereof in the Registry.

Section 12.8. Conveyance of Common Areas to Association. No later than the expiration of the Class B Membership, the Declarant or other owner(s) of the Common Areas shall convey by quit claim deed, and the Association shall accept, fee simple title to all Common Areas within the Property, and shall assign, reserve for or grant to the Association all Common Area easements, all subject to such easements, reservations, conditions and restrictions as then may be of record, and the Association shall accept all such conveyances, grants, assignments and reservations. THE ASSOCIATION AGREES TO ACCEPT "AS IS" ANY CONVEYANCE OF THE COMMON AREAS AND THE PERSONAL PROPERTY AND IMPROVEMENTS APPURTENANT THERETO, WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IN FACT OR BY LAW, AS TO THE CONDITION OR FITNESS OF THE COMMON AREAS OR PORTIONS THEREOF AND THE PERSONAL PROPERTY AND IMPROVEMENTS THEREON. So long as Declarant or an affiliate of Declarant owns any portion of the Property, Declarant reserves an easement over and across any Common Areas deeded to the Association for the purpose of constructing and maintaining any Improvements on

the Common Areas as it deems necessary or advisable, provided that any such Improvements must comply with the requirements of the appropriate governmental authority.

(A) If the Common Areas have previously been conveyed to the Association, then any Improvements subsequently constructed or placed on the Common Areas by Declarant shall become the property of the Association upon completion of such Improvements and such completed Improvements will be conveyed to the Association in accordance with the terms of this Declaration. If the Common Areas have not been conveyed to the Association, then any Improvements constructed or placed on the Common Areas by Declarant shall be conveyed to the Association simultaneously with the conveyance of the Common Areas.

(B) The Association shall, however, become responsible for all maintenance, repair, replacement, operation and insuring of Common Areas prior to such conveyance when Improvements thereto have been completed, which shall be the later of the date the required certificates or permits of occupancy or use are issued therefor, or the date such Common Areas may be used by the Owners in the manner and for the purposes for which they are developed or constructed. In consideration of the benefits accruing to the Association and to the Owners under this Declaration and in consideration of the covenants and agreements of the Declarant, an affiliate of Declarant and/or a Designated Builder, if applicable, the Association hereby agrees to accept title to any property, or to any interest in property, now or hereafter conveyed to it pursuant to the terms and conditions of this Declaration.

ARTICLE XIII CLAIM AND DISPUTE RESOLUTION/LEGAL ACTIONS

It is intended that the Common Area, each Lot, and all Improvements constructed on the Property by persons or entities, including by Declarant or a Designated Builder where applicable (all together "Developers"), in the business of constructing improvements will be constructed in compliance with all applicable building codes and ordinances and that all Improvements will be of a quality that is consistent with the good construction and development practices in the area where the Project is located for production housing similar to that constructed within the Project. Nevertheless, due to the complex nature of construction and the subjectivity involved in evaluating such quality, disputes may arise as to whether a defect exists and the responsibility therefor. It is intended that all disputes and claims regarding alleged defects in any design or construction of Improvements on any Common Area or on any area (an "area of Association responsibility") for which the Association otherwise has insurance, maintenance, repair or replacement responsibility (individually or together, and not including any disputes or claims regarding any other on-Lot Improvements (including Residential Units), the "Alleged Defects"), will be resolved amicably, without the necessity of time-consuming and costly litigation. Accordingly, all Developers, Declarant, the Association, the Board, and all Owners shall be bound by the following claim resolution procedures (provided, however, that nothing herein shall apply to limit any claims or rights of Declarant and Designated Builder each as against the other).

Section 13.1. Right to Cure Alleged Defect. If a person or entity ("Claimant") claims, contends, or alleges an Alleged Defect, each Developer shall have the right to inspect, repair and/or replace such Alleged Defect as set forth herein.

Section 13.1.1. Notice of Alleged Defect. If a Claimant discovers an Alleged Defect, then, within fifteen (15) days after discovery thereof, Claimant shall give written notice of the Alleged Defect ("Notice of Alleged Defect") to the Developer constructing the Improvement with respect to which the Alleged Defect relates.

Section 13.1.2. Right to Enter, Inspect, Repair and/or Replace. Within a reasonable time after the receipt by a Developer of a Notice of Alleged Defect, or the independent discovery of any Alleged Defect by a Developer, Developer shall have the right, upon reasonable notice to Claimant and during normal business hours, to enter onto or into the Common Area, areas of Association responsibility, any Lot or Residential Unit, and/or any Improvements for the purposes of inspecting and/or conducting testing and, if deemed necessary by Developer at its sole discretion, repairing and/or replacing such Alleged Defect. In conducting such inspection, testing, repairs and/or replacement, Developer shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances.

Section 13.2. No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in this Article 13 shall be construed to impose any obligation on a Developer to inspect, test, repair, or replace any item or Alleged Defect for which such Developer is not otherwise obligated under applicable law or any warranty provided by such Developer in connection with the sale of the Lots and Residential Units and/or the Improvements constructed thereon. The right reserved to Developer to enter, inspect, test, repair and/or replace an Alleged Defect shall be irrevocable and may not be waived or otherwise terminated with regard to a Developer except by a written document executed by such Developer and recorded in the Registry.

Section 13.3. Legal Actions. All legal actions initiated by a Claimant shall be brought in accordance with and subject to Section 13.4 and Section 12.4 of this Declaration. If a Claimant initiates any legal action, cause of action, regulatory action, proceeding, reference, mediation, or arbitration against a Developer alleging (1) damages for costs of repairing Alleged Defect ("Alleged Defect Costs"), (2) for the diminution in value of any real or personal property resulting from such Alleged Defect, or (3) for any consequential damages resulting from such Alleged Defect, any judgment or award in connection therewith shall first be used to correct and or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. If the Association as a Claimant recovers any funds from a Developer (or any other person or entity) to repair an Alleged Defect, any excess funds remaining after repair of such Alleged Defect shall be paid in to the Association's reserve fund. If the Association is a Claimant, the Association must provide a written notice to all Members prior to initiation of any legal action, regulatory action, cause of action, proceeding, reference, mediation or arbitration against a Developer(s) which notice shall include at a minimum (1) a description of the Alleged Defect; (2) a description of the attempts of the Developer(s) to correct such Alleged Defect and the opportunities provided to the Developer(s) to correct such Alleged Defect; (3) a certification from an architect or engineer licensed in the State of North Carolina that such Alleged Defect exists along with a description of the scope of work necessary to cure such Alleged Defect and a resume of such architect or engineer; (4) the estimated Alleged Defect Costs; (5) the name and professional background of the attorney retained by the Association to pursue the claim against the Developer(s) and a description of the relationship between such attorney and member(s) of the Board or the Association's management company (if any); (6) a description of the fee arrangement between such attorney and the Association; (7) the estimated

attorneys' fees and expert fees and costs necessary to pursue the claim against the Developer(s) and the source of the funds which will be used to pay such fees and expenses; (8) the estimated time necessary to conclude the action against the Developer(s); and (9) an affirmative statement from a majority of the members of the Board that the action is in the best interests of the Association and its Members.

Section 13.4. Alternative Dispute Resolution. Any dispute or claim between or among (a) a Developer (or its brokers, agents, consultants, contractors, subcontractors, or employees) on the one hand, and any Owner(s) or the Association on the other hand; or (b) any Owner and another Owner; or (c) the Association and any Owner regarding any controversy or claim between the parties, including any claim based on contract, tort, or statute, arising out of or relating to (i) the rights or duties of the parties under this Declaration; or (ii) an Alleged Defect, but excluding disputes relating to the payment of any type of Assessment (collectively a "Dispute"), shall be subject first to negotiation, then mediation, and then arbitration as set forth in this Section 13.4 prior to any party to the Dispute instituting litigation with regard to the Dispute.

Section 13.4.1. Negotiation. Each party to a Dispute shall make every reasonable effort to meet in person and confer for the purpose of resolving a Dispute by good faith negotiation. Upon receipt of a written request from any party to the Dispute, the Board may appoint a representative to assist the parties in resolving the dispute by negotiation, if in its discretion the Board believes its efforts will be beneficial to the parties and to the welfare of the community. Each party to the Dispute shall bear their own attorneys' fees and costs in connection with such negotiation.

Section 13.4.2. Mediation. If the parties cannot resolve their Dispute pursuant to the procedures described in Subsection 13.4.1 above within such time period as may be agreed upon by such parties (the "Termination of Negotiations"), the party instituting the Dispute (the "Disputing Part") shall have thirty (30) days after the Termination of Negotiations within which to submit the Dispute to mediation pursuant to the mediation procedures adopted by the American Arbitration Association or any successor thereto or to any other independent entity providing similar services upon which the parties to the Dispute may mutually agree. No person shall serve as a mediator in any Dispute in which such person has a financial or personal interest in the result of the mediation, except by the written consent of all parties to the Dispute. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. If the Disputing Party does not submit the Dispute to mediation within thirty (30) days after Termination of Negotiations, the Disputing Party shall be deemed to have waived any claims related to the Dispute and all other parties to the Dispute shall be released and discharged from any and all liability to the Disputing Party on account of such Dispute; provided, nothing herein shall release or discharge such party or parties from any liability to persons or entities not a party to the foregoing proceedings.

Section 13.4.2.1. Position Memoranda; Pre-Mediation Conference. Within ten (10) days of the selection of the mediator, each party to the Dispute shall submit a brief memorandum setting forth its position with regard to the issues to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties to the Dispute shall attend unless otherwise agreed. The mediation shall commence within ten (10) days following submittal

of the memoranda to the mediator and shall conclude within fifteen (15) days from the commencement of the mediation unless the parties to the Dispute mutually agree to extend the mediation period. The mediation shall be held in the County where the property is located or such other place as is mutually acceptable by the parties to the Dispute.

Section 13.4.2.2. Conduct of Mediation. The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the Dispute. The mediator is authorized to conduct joint and separate meetings with the parties to the Dispute and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the parties to the Dispute agree to obtain and assume the expenses of obtaining such advice as provided in Subsection 13.4.2.5 below. The mediator does not have the authority to impose a settlement on any party to the Dispute.

Section 13.4.2.3. Exclusion Agreement. Any admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

Section 13.4.2.4. Parties Permitted at Sessions. Persons other than the parties to the Dispute may attend mediation sessions only with the permission of all parties to the Dispute and the consent of the mediator. Confidential information disclosed to a mediator by the parties to the Dispute or by witnesses in the course of the mediation shall be kept confidential. There shall be no stenographic record of the mediation process.

Section 13.4.2.5. Expenses of Mediation. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof of expert advice produced at the direct request of the mediator, shall be borne equally by the parties to the Dispute unless agreed to otherwise. Each party to the Dispute shall bear their own attorneys' fees and costs in connection with such mediation.

Section 13.4.3. Final and Binding Arbitration. If the parties cannot resolve the Dispute pursuant to the procedures described in Subsection 13.4.2 above, the Disputing Party shall have thirty (30) days following termination of mediation proceedings (as determined by the mediator) to submit the Dispute to final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, as modified or as otherwise provided in this Section 13.4. If the Disputing Party does not submit the Dispute to arbitration within thirty (30) days after termination of mediation proceedings, the Disputing Party shall be deemed to have waived any claims related to the Dispute and all other parties to the Dispute shall be released and discharged from any and all liability to the Disputing Party on account of such Dispute; provided, nothing herein shall release or discharge such party or parties from any liability to a person or entity not a party to the foregoing proceedings.

The existing parties to the Dispute shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the arbitration proceeding. No Developer shall be required to participate in the arbitration proceeding if all parties against whom a Developer would have

necessary or permissive cross-claims or counterclaims are not or cannot be joined in the arbitration proceedings. Subject to the limitations imposed in this Section 13.4, the arbitrator shall have the authority to try all issues, whether of fact or law.

Section 13.4.3.1. Place. The arbitration proceedings shall be heard in the County where the Property is located.

Section 13.4.3.2. Arbitration. A single arbitrator shall be selected in accordance with the rules of the American Arbitration Association from panels maintained by the American Arbitration Association with experience in relevant matters which are the subject of the Dispute. The arbitrator shall not have any relationship to the parties or interest in the Project. The parties to the Dispute shall meet to select the arbitrator within ten (10) days after service of the initial complaint on all defendants named therein.

Section 13.4.3.3. Commencement and Timing of Proceeding. The arbitrator shall promptly commence the arbitration proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay.

Section 13.4.3.4. Pre-hearing Conferences. The arbitrator may require one (1) or more pre-hearing conferences.

Section 13.4.3.5. Discovery. The parties to the Dispute shall be entitled to limited discovery only, consisting of the exchange between the parties of the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including but not limited to, destructive or invasive testing; and (vi) trial briefs. The Developer shall also be entitled to conduct further tests and inspections as provided in Section 13.1 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties to the Dispute. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

Section 13.4.3.6. Limitation on Remedies/Prohibition on the Award of Punitive Damages. Notwithstanding contrary provisions of the Commercial Arbitration Rules, the arbitrator in any proceeding shall not have the power to award punitive or consequential damages; however, the arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages. The arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, NCGS §1-569, et seq., or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held.

Section 13.4.3.7. Motions. The arbitrator shall have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings, and summary judgment motions, in the same manner as a trial court judge, except the arbitrator shall also have the power to adjudicate summary issues of fact or law including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

Section 13.4.3.8. Expenses of Arbitration. Each party to the Dispute shall bear all of its own costs incurred prior to and during the arbitration proceedings, including the fees and costs of its attorneys or other representatives, discovery costs, and expenses of witnesses

produced by such party. Each party to the Dispute shall share equally all charges rendered by the arbitrator unless otherwise agreed to by the parties.

Section 13.5. Statute of Limitations. Nothing in this Article 13 shall be considered to toll, stay, or extend any applicable statute of limitations.

Section 13.6. Enforcement of Resolution. If the parties to a Dispute resolve such Dispute through negotiation or mediation in accordance with Subsection 13.4.1 or Subsection 13.4.2 above, and any party thereafter fails to abide by the terms of such negotiation or mediation, or if an arbitration award is made in accordance with Subsection 13.4.3 and any party to the Dispute thereafter fails to comply with such resolution or award, then the other party to the Dispute may file suit or initiate administrative proceedings to enforce the terms of such negotiation, mediation, or award without the need to again comply with the procedures set forth in this Article 13. In such event, the party taking action to enforce the terms of the negotiation, mediation, or the award shall be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties pro rata), all costs incurred to enforce the terms of the negotiation, mediation or award including, without limitation, attorneys fees and court costs.

ARTICLE XIV INTENTIONALLY OMITTED

ARTICLE XV GENERAL PROVISIONS

Section 15.1. Severability. Invalidation of any terms, conditions, covenants, conditions, restrictions or other provisions of the Declaration (or portions thereof) shall not affect the validity of the any other terms, conditions, covenants, conditions, restrictions or other provisions of the Declaration (or portions thereof), all of which shall remain in full force and effect.

Section 15.2. Construction. The Article and section headings have been inserted for convenience only and shall not be considered in resolving questions of interpretation or construction. All terms and words used in this Declaration regardless of the number and gender in which they are used shall be deemed and construed to include any other number, and any other gender, as the context or sense requires. In the event of any conflict or inconsistency between this Declaration, the Articles, and/or the Bylaws, the provisions of this Declaration shall control over the provision of the Articles and the Bylaws and the provisions of the Articles shall prevail over the provisions of the Bylaws.

Section 15.3. Notices. Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail, postage prepaid; if to an Owner, addressed to that Owner at the address of the Owner's lot or if to the Architectural Committee, addressed to that Committee at the normal business address. If notice is sent by mail, it shall be deemed to have been delivered twenty-four (24) hours after a copy of the same has been deposited in the United States mail, postage pre-paid. If personally delivered, notice shall be effective on receipt. Notwithstanding the foregoing, if application for approval, plans, specifications and any other communication or documents shall not be deemed to have been submitted to the Architectural Committee, unless actually received by said Committee. Any vote, election, consent

or approval of any nature by the Owners or the Board of Directors, whether hereunder or for any other purpose, may, in the discretion of the Board of Directors and in lieu of a meeting of members, be held by a mail-in ballot process pursuant to such reasonable rules as the Board may specify.

Section 15.4. Intentionally Omitted.

Section 15.5. Intentionally Omitted.

Section 15.6. Restriction of Traffic. Declarant reserves the right for itself and for any Designated Builder(s), until the conveyance of title to the Purchaser of the last Residential Unit in the Property, to unilaterally restrict and/or re-route all pedestrian and vehicular traffic within the Property, in Declarant's (or Designated Builder's, as applicable) sole discretion, to accommodate Declarant's (or Designated Builder's, as applicable) construction activities, and sales and marketing activities; provided that no Residential Unit shall be deprived of access to a dedicated street adjacent to the Property.

Section 15.7. Other Rights. Declarant reserves all other rights, powers, and authority of Declarant set forth in this Declaration, and, to the extent not expressly prohibited by applicable North Carolina law, further reserves all other rights, powers, and authority, in Declarant's sole discretion, of a declarant under applicable North Carolina law, including, without limitation, all special declarant rights under the Act.

Section 15.8. Disclaimers and Releases. By acceptance of a deed to a Residential Unit, each purchaser or Owner, for itself and all persons claiming under such purchaser or Owner, shall conclusively be deemed to have acknowledged and agreed: (a) that Declarant specifically disclaims any and all representations and warranties, express and implied, with regard to any of the disclosed or described matters (other than to the extent expressly set forth in the foregoing disclosures); and (b) to fully and unconditionally release Declarant and the Association, and their respective officers, managers, agents, employees, suppliers and contractors, and their successors and assigns, from any and all loss, damage or liability (including, but not limited to, any claim for nuisance or health hazards) related to or arising in connection with any disturbance, inconvenience, injury, or damage resulting from or pertaining to all and/or any one or more of the conditions, activities, occurrences described herein.

ARTICLE XVI SPECIAL PROVISIONS

Section 16.1. Future Development. Declarant presently plans to develop only those Lots which have already been released for construction and sale, and Declarant has no obligation with respect to future phases, plans, zoning, or development of other real property contiguous to or nearby the Lots presently planned for development. The Owner of a Residential Unit may have seen proposed or contemplated residential and other developments which may have been illustrated in the plot plan or other sales literature in or from Declarant's sales office, and/or may have been advised of the same in discussions with sales personnel; however, notwithstanding such plot plans, sales literature, or discussions or representations by sales personnel or otherwise, Declarant is under no obligation to construct such future or planned developments, amenities or any other improvements, and the same may not be built in the event that Declarant, for any reason

whatsoever, decides not to build same. An Owner is not entitled to rely upon, and in fact has not relied upon, the presumption or belief that the same will be built; and no sales personnel or any other person in any way associated with Declarant has any authority to make any statement contrary to the foregoing provisions, Declarant hereby expressly disclaiming same.

Section 16.2. Construction Nuisances. Residential subdivision and new home construction are subject to and accompanied by substantial levels of noise, dust, traffic, and other construction-related “nuisances.” Each Owner acknowledges and agrees that it is purchasing a Residential Unit which is within a residential subdivision currently being developed, and that the Owner will experience and accepts substantial level of construction-related “nuisances” until the subdivision (and other neighboring portions of land being developed) has been completed and sold out.

Section 16.3. Model Homes. Model homes are displayed for illustrative purposes only, and such display shall not constitute an agreement or commitment on the part of Declarant or any Designated Builder to deliver the Residential Unit in conformity with any model home, and any representation or inference to the contrary is hereby expressly disclaimed. None of the decorator items and other items or furnishings (including, but not limited to, decorator paint colors, wallpaper, window treatments, mirrors, upgraded carpet, decorator built-ins, model home furniture, model home landscaping, and the like) shown installed or on display in any model home are included for sale to a purchaser unless an authorized officer of Declarant or a Designated Builder has specifically agreed in a written addendum to the purchase agreement to make specific items a part of the purchase agreement.

Section 16.4. Stormwater Facilities Management. Except for maintenance responsibilities (i) placed on Owners by the Project Documents or other legal requirements, or (ii) assumed or undertaken by other persons (for example, a governmental authority), the Association shall maintain the Stormwater Facilities and shall pay for the maintenance thereof as part of the Common Expenses. As used in the immediately preceding sentence, the word “maintain” includes maintenance, repair, replacement and insurance, and making provision for the same (which may include financial contributions toward said maintenance), of Stormwater Facilities located on the Property and and/or on or shared with other properties not subject to the Declaration. Provided, however, such maintenance obligations shall cease and terminate, or be reduced proportionally, temporarily or permanently, as applicable and as the case may be, at such time as a governmental authority accepts responsibility to maintain, in whole or in part, the Stormwater Facilities, or some other person is providing the necessary maintenance therefor (for example, pursuant to an agreement which requires monetary payments by the Association to the person who is performing the maintenance). Following any such assumption of maintenance by a governmental authority or other person, the Association may, without obligation, continue to provide maintenance to the extent that the governmental authority or other person fails to provide adequate maintenance, in the opinion of the Board, and shall continue to provide maintenance for those portions of the Stormwater Facilities with respect to which the governmental authority or such other person has not assumed maintenance responsibility, or following termination of the governmental entity’s or such person’s maintenance responsibility.

Notwithstanding anything to the contrary herein, the Owner of any Lot on, over or through

which any Stormwater Facilities or portion thereof is located shall be responsible for the following with respect thereto: (i) mowing of grass with reasonable frequency, where applicable, unless the Association assumes such responsibility; and (ii) removal of debris and other materials to the best of the Owner's ability, where such debris or materials has impeded or threatens to impede the free flow of stormwater on, over or through the Stormwater Facilities located on the Lot. An Owner's responsibility shall include notification of the Association of any defects in any fencing surrounding or within any such Stormwater Facilities, any debris or other matter which the Owner reasonably believes is beyond the Owner's ability to remove, and any excessive erosion within any such Stormwater Facilities. The Owner of a Lot on which a Stormwater Facility (or any portion thereof) is located shall not obstruct it or interfere with its normal and intended operation. Notwithstanding anything to the contrary herein, each Owner of a Lot, and not the Association, shall be responsible for maintenance of all stormwater drainage easements and stormwater management facilities located on and used exclusively in connection with such Owner's Lot or the improvements thereon, including guttering, and pipes and drains on the Lot used exclusively for transportation of stormwater from such Lot into any Stormwater Facilities. All issues as to whether a stormwater drainage easement or stormwater management facility is part of the Stormwater Facilities for which the Association is responsible or whether it is the responsibility of an Owner shall be determined by the Declarant during the period of the Class B Membership (unless Declarant assigns such right to the Association), and thereafter by the Association.

Declarant, during the period of the Class B Membership, and thereafter, the Association, subject to any approval required by a governmental authority, may grant, relocate, abandon and/or release one or more stormwater drainage easements in the Property, subject to the following: (i) the initial grant of any such stormwater drainage easement also shall be consented to in writing by the Owners of all Lots (not including Common Area) on which such stormwater drainage easement is located, unless the stormwater drainage easement is shown on a recorded plat of such Lots, in which event the consent of the Owners thereof is not required and the Declarant or the Association, as applicable, may grant the stormwater drainage easement by written instrument; (ii) no such relocation, abandonment or release shall materially adversely affect any Lot on which the stormwater drainage easement is to be relocated, or if it does have such material adverse effect it is consented to in writing by owners of the Lots on which such stormwater drainage easement is to be relocated; and (iii) no such grant, relocation, abandonment or release shall materially adversely affect the Stormwater Facilities for the Property. The provisions of this paragraph also are applicable to any access easement over any portion of the Property that provides pedestrian or vehicular access from a public street right of way or other public easement or facility to and from any Stormwater Facilities.

With respect to its obligations under this Section, the Association shall pay, post, provide for or comply with all bonds and other financial obligations under all legal requirements, Stormwater Agreements and other agreements related to Stormwater Facilities that are executed by the Association (or, during the period of the Class B Membership, by the Declarant on behalf of the Association or for later assignment to the Association), and the Association (and, during the period of the Class B Membership, the Declarant on behalf of the Association) may enter into one or more Stormwater Agreements and other agreements and amend, add to, or supplement existing Stormwater Agreements and other agreements (and when Stormwater Agreements or other agreements are referred to in the Declaration, the reference includes amendments, additions, and

supplements thereto), with a governmental authority, another association that exists for purposes similar to those of the Association, or any other person with respect to inspecting, monitoring, measuring, testing, collecting, controlling, transporting, conveying, handling, storing, discharging, operating and managing any part or all of the stormwater on, to, or from any part or all of the Property and/or any or all of the Stormwater Facilities for the Property, whether such Stormwater Facilities are located within or outside of the Property, and with respect to maintenance of the Stormwater Facilities. Such Stormwater Agreements and other agreements shall be binding on all Owners, and may require payments from the Association or the Owners whose Lots are served by the applicable Stormwater Facilities for the services provided by a governmental authority, such other association or such other person in inspecting, monitoring, measuring, testing, collecting, controlling, transporting, conveying, handling, storing, discharging, operating or managing any part or all of such stormwater and/or Stormwater Facilities, and such Stormwater Agreements and other agreements may include all other terms and obligations required by applicable legal requirements. In connection with the foregoing purposes expressed in this paragraph, the Association (and, during the period of the Class B Membership, the Declarant on behalf of the Association) may grant rights over, in, under, upon and through any and all stormwater drainage easements in the Property, and may grant rights over, in, under, upon and through all easements in the Property that provide pedestrian and/or vehicular access from a publicly dedicated street right of way to and from stormwater drainage easements and/or Stormwater Facilities. Provided, however, during the period of the Class B Membership no such Stormwater Agreement or other agreement shall be valid unless the same shall have been consented to in writing by the Declarant

In recognition of the fact that different Stormwater Facilities may be necessary or desirable for different portions of the Property or phases of the same (for example, because of the topography of the Property it may be desirable for a portion of the Property to have Stormwater Facilities separate from and/or in addition to, other Stormwater Facilities in or serving the Property and it may be desirable for other portions of the Property to utilize Stormwater Facilities located outside of the Property), and in further recognition of the desire of the Declarant for the provisions of the Declaration to be as flexible as reasonably necessary in order to maximize the benefit to the Property of having or using one or more Stormwater Facilities in accordance with sound engineering practices and approvals by a governmental authority, in fulfilling its obligations under the Declaration, the Association (or, during the period of the Class B Membership, the Declarant on behalf of the Association or for later assignment to the Association) may enter into different Stormwater Agreements and other agreements for different portions of the Property, and/or may amend, add to, or supplement existing Stormwater Agreements and other agreements, subject to all of the other terms of the Declaration.

Declarant hereby informs all Owners and other persons who deal with or come in contact with the Property, that as stormwater drains from the Property or other properties into any of the Stormwater Facilities for the Property, it is possible that substances or materials that may be classified or regulated as "hazardous substances" or "toxic substances" or other regulated substances or materials under applicable laws relating to the environment, may flow through and/or accumulate in such Stormwater Facilities. Accordingly, each Owner and other person assumes the risk that such flowing through and/or accumulation may occur. In addition, each Owner further acknowledges that if it becomes necessary (as determined by applicable laws or by the Board) for such substances to be removed from the Stormwater Facilities or otherwise handled in accordance with applicable legal requirements, and for such Stormwater Facilities to be cleaned-

up following such removal or other handling, that the costs associated with such removal, handling and/or clean-up are Common Expenses, and that an additional assessments may be required to pay for such removal and/or resultant clean-up of the Stormwater Facilities.

Declarant may assign to the Association, and the Association shall accept from Declarant the assignment of, all obligations of the Declarant under Stormwater Agreements and other agreements entered into by the Declarant with respect to Stormwater Facilities for the Property, provided the Declarant has performed, or made adequate provision for the performance of, all obligations, if any, specifically required of the Declarant under the Stormwater Agreement or other agreement being assigned to the Association. The provisions of this Section shall be construed liberally in order to allow the Declarant and the Association, on behalf of the Property and all Owners, the necessary flexibility to comply with all applicable laws with respect to stormwater, including the execution of Stormwater Agreements or other agreements with a governmental authority or other persons and the granting of easements to a governmental authority or other persons.

Declarant hereby grants to the applicable governing authorities an easement for ingress, egress and regress over and across the Common Area on which the Stormwater Facilities exist for the purpose of inspecting the Stormwater Facilities as necessary and for the purpose of correcting, repairing, replacing, and maintaining the Stormwater Facilities and exercising the other rights of the such governing authorities that are provided for by the Stormwater Facility Agreements.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the day and year below indicated.

DECLARANT:

LGI HOMES – NC, LLC, a North Carolina limited liability company

By: [Signature]

Name: DAVID HENSLEY

As: AUTHORIZED OFFICER

Date: 4/20/18

Mecklenburg COUNTY
NORTH CAROLINA

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: David Hensley

Date: 4.20.18

My Commission Expires:

8.05.20

[Signature]
Notary Public
Print Name: Stephanie Leigh

[Affix Notary Stamp or Seal below]

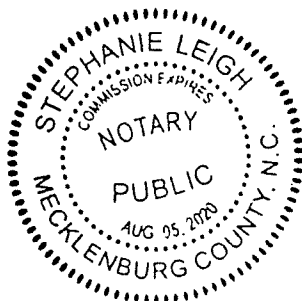


EXHIBIT A
LEGAL DESCRIPTION

All of that real property conveyed to Declarant by Deeds recorded in Book 16919, Page 678, in Book 17036, Page 559, and in Book 17036, Page 573 in the Wake County Registry.

EXHIBIT B
LEGAL DESCRIPTION OF ADDITIONAL PROPERTY

Any real property having a property line that is not greater than one (1) mile from any boundary line of the Property described on Exhibit A above.

4831-0071-4338, v. 1