AMENDED AND RESTATED
DECLARATION OF
COVENANTS AND RESTRICTIONS
FOR LAUREL WOODS
WAKE COUNTY, NORTH CAROLINA

(Original on file with the State
Recorded Date: Dec. 12, 2000)

IMPORTANT NOTE:
This document is an updated version that includes all amendments approved through the Laurel Woods Homeowners Association Board of Directors.

This is for use by directors and residents of the Laurel Woods only.

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WHEREAS. Declarant has caused to be recorded a Declaration of Covenants and Restrictions for Laurel Woods, Wake County North Carolina; and

WHEREAS, said Covenants were recorded on May 22, 2000 in Book 8590, Page 1207; Wake County Registry; and

WHEREAS. there were certain omissions from said covenants, including but not limited to, Lot Numbers subjected to the Covenants and Plat Recording Information; and

WHEREAS, Declarant, in order to correct the aforesaid errors;

NOW, THEREFORE, Declarant does hereby submit the attached Amended and Restated Declaration of Covenants and Restrictions for Laurel Woods, Wake County North Carolina.

AMENDED AND RESTATED
DECLARATION OF
COVENANTS AND RESTRICTIONS
FOR LAUREL WOODS
WAKE COUNTY, NORTH CAROLINA

AMENDED AND RESTATED

THIS DECLARATION OF COVENANTS AND RESTRICTIONS is made on this 29 day of November, in the year Two Thousand by PULTE HOME CORPORATION, a Michigan corporation (hereinafter referred to as the "Declarant").

WITNESSETH:

WHEREAS, the Declarant is the owner of that certain real property located in Wake County, North Carolina which real property is hereinafter identified as the "Laurel Woods Property"; and

WHEREAS, the Declarant intends to develop single family townhomes on the Laurel Woods Property; and

WHEREAS, the Declarant desires to provide open spaces and other facilities for the benefit of the persons who shall reside in the aforesaid townhomes on the "Lots" (as that term is hereinafter defined); and

WHEREAS, in order to insure the enjoyment of such open spaces and other facilities by the residents of the said Lots, and in order to protect and enhance the value of the said Lots, it is desirable to create an association to own, maintain and administer such open spaces and other facilities, and to administer and enforce the covenants and restrictions imposed by this Declaration on the individually owned properties, and to collect, hold and disburse the charges and assessments provided for in this Declaration; and

WHEREAS, it is intended that every owner of any of the said Lots automatically, and by reason of such ownership and this Declaration, become a member of the aforesaid association and be subject to its valid rules and regulations and the assessments and charges made by such association;

NOW, THEREFORE, the Declarant does hereby submit the "Lots" and the "Common Elements" (as those terms are hereinafter defined) to the provisions of this Declaration,

DECLARATION OF COVENANTS AND RESTRICTIONS

ARTICLE I. DEFINITIONS

As used in this Declaration, the following terms shall have the meanings ascribed to them in this Article I, such definitions being cumulative of those set forth elsewhere in this Declaration. In addition, all terms used in this Declaration which are defined in the Act shall have the meanings ascribed to them in the Act, unless other definitions are ascribed to them in this Declaration.

"Act" shall mean the North Carolina Planned Community Act, General Statutes of North Carolina Sections 47F-1-101 through 47F-3-120.

"Annual Assessment" shall have the meaning specified in Section 4 of Article V hereof, and shall constitute the assessments which, pursuant to the provisions of Article V hereof, shall be levied by the Association against the Lots each year for the purpose of raising the funds necessary to pay the "Annual Expenses" (as that term is defined in Section 3 of Article V hereof).

"Articles of Incorporation" shall mean the Articles of Incorporation of the Association, as the same may be amended from time to time.

"Association" shall mean Laurel Woods Townhome Association, Inc., a North Carolina non-profit membership corporation.

"Laurel Woods Property" shall mean the entirety of the real property described on Exhibit A, hereto attached and made a part hereof.

"Backyard Area" shall mean the portion of each Lot which is located in the rear of the Townhome constructed on such Lot.

"Bylaws" shall mean the Bylaws of the Association, as the same may be amended from time to time.

"Common Elements" shall mean all portions of the Laurel Woods Property which is conveyed and transferred to the Association pursuant to Section 1 of Article III of this Declaration and which does not include arty Lot or real property dedicated to a governmental authority. Common Elements shall not include any Lot which shall be acquired by the Association through foreclosure of the lien in favor of the Association, as provided for in Article V of this Declaration.

"Declarant" shall mean Pulte Home Corporation, a Michigan corporation, and shall include any successor or assign of Pulte Home Corporation (other than a person acquiring fewer than five (5) Lots) who shall acquire the entire interest in Laurel Woods Property which was owned by the immediate predecessor-in-title of such successor or assign.

"Declaration" shall mean this Declaration of Covenants and Restrictions, as the same may be hereinafter amended in accordance with the terms and provisions of Article X hereof.

"Executive Board" shall mean the Board of Directors of the Association.

"First Mortgage" shall mean a Mortgage conveying a first priority hen upon or security title to any Lot.

"HOD" shall mean the United States Department of Housing and Urban Development, and, in the event that said Department shall be abolished and its operations transferred to another division of the United States government, such other division.

"Lot" shall mean each portion of Laurel Woods Property which has been subdivided for use as an individual building lot and which is subjected to the terms, provisions, liens, charges, easements, covenants and restrictions of this Declaration applicable to Lots by the recording of this Declaration.

"Mortgage" shall mean a mortgage, deed to secure debt, deed of trust, or other instrument conveying a lien upon or security title to the property.

"Person" shall mean a natural person, corporation, trust, partnership or any other legal entity,

"Plat" shall mean the Subdivision Plat for Laurel Woods Townhomes prepared by Priest$_l$ Craven & Associates, Inc., dated February 8-10, 2000, recorded in the Book of Maps of Wake County, North Carolina in Book 2000, Page 361 through 364, inclusive, and shall include any and all other plats of survey which shall be recorded pursuant to the provisions of Article II, Sections 2 and 4.

"Townhome" shall mean the single-family dwelling constructed on each Lot by the Declarant.

"VA" shall mean the United States Department of Veterans Affairs and, in the event that said Department shall be abolished and its operations transferred to another division of the United States government, such other division.

All pronouns used in this Declaration are intended to be gender neutral, and the use of the masculine gender shall be deemed to include the feminine and neuter genders.

ARTICLE II. LOTS

Section I. Lots Hereby Subjected to this Declaration

The Declarant, for itself and its successors and assigns, does hereby covenant that the following described property be, and the same hereby is, subjected to this Declaration as Lots: Lot Nos. 1 through 93, inclusive, as shown and depicted on the Plat.

The Declarant, for itself, its successors and assigns, hereby further covenants that the above-described property shall hereafter be held, transferred, sold, conveyed, used, leased, occupied, mortgaged or otherwise encumbered subject to all of the terms, provisions, liens, charges, easements, covenants and restrictions set forth in the Act and in this Declaration as applicable to the Lots, including, but not limited to, the lien provisions set forth in Article V hereof. All of the terms, provisions, liens, charges, easements, covenants and restrictions set forth in this Declaration as applicable to the Lots shall be a permanent charge thereon, and shall run with the Lots.

Section 2. Additional Lots Hereafter Subjected to this Declaration

The Declarant may, at any time, and from time to time, prior to December 31,2007, subject additional portions of the Laurel Woods Property to the Act and the terms, provisions, liens, charges, easements, covenants and restrictions of this Declaration applicable to Lots by:

(a) executing and recording in the Office of the Register of Deeds of Wake County, North Carolina, a supplemental declaration to this Declaration describing such additional Lots and stating that this Declaration is thereby extended to, and shall thereafter apply to, such additional Lots; and

(b) recording in the Office of the Register of Deeds of Wake County, North Carolina, a plat of survey showing and depicting the additional Lots being thereby subjected to this Declaration,

From and after the subjecting of such additional Lots to the Act and to this Declaration, such additional Lots shall thereafter be held, transferred, sold, conveyed, used, leased, occupied, mortgaged or otherwise encumbered subject to all of the terms, provisions, liens, charges, easements, covenants and restrictions of this Declaration applicable to Lots, including, without limitation, all lien and assessment provisions set forth in this Declaration: from and after the subjecting of such additional Lots to this Declaration, all of the terms, provisions, liens, charges, easements, covenants and restrictions set forth in this Declaration as applicable to Lots shall be a permanent charge thereon, and shall run with, such additional Lots.

Any supplemental declaration which may be executed and recorded pursuant to the provisions of this Article II for the purpose of subjecting additional Lots to the terms and provisions of this Declaration may set forth certain easements and restrictions which will apply only to the Lots being subjected to this Declaration by such supplemental declaration. Any such easements and restrictions which shall be set forth in any supplemental declaration shall thereafter be as binding on the Lots which are the subject of such supplemental declaration as if such easements and restrictions were set forth in their entirety in this Declaration.

Except as otherwise provided in the Act, no approval from any member of the Association, or from anyone else whomsoever, shall be required for the Declarant to subject any portion of the Laurel Woods Property to this Declaration as additional Lots.

Section 3. No Effect on Balance of Property

Notwithstanding anything contained in this Declaration which may be constructed to the contrary, this Declaration does not create any charge, lien, encumbrance, restriction, or limitation on any portion of the Laurel Woods Property other than the Lots described in Section I of this Article II, unless and until any additional portion of the Laurel Woods Property is subjected to this Declaration as Lots or Common Elements in the manner set forth, respectively, in Section 2 of this Article II or in Section 1 of Article III, and then, only from that time forward.

Section 4. Rerecording of the Plat

As Townhomes are constructed on the Lots, the Declarant may, at any time, and from time to time, prior to December 31,2007, rerecord the Plat to adjust the boundary lines of Lots owned by the Declarant. Notwithstanding any provision of this Declaration, or of any statutory or common law, which may provide to the contrary, from and after the date of each rerecording of the Plat by the Declarant, the boundary lines of all Lots shall be as the same are shown and depicted on such rerecorded Plat. The right of the Declarant under this Section 4 to rerecord the Plat shall terminate at such time as the Declarant shall have re-recorded the Plat after a Townhome shall have been constructed on each of the Lots.

No approval from any member of the Association, or from anyone else whomsoever, shall be required for the Declarant to adjust the boundary lines of the Lots owned by the Declarant pursuant to the provisions of this Section 4.

Section 5. Boundaries

Notwithstanding the depiction of the boundaries of any Lot on the Plat, the centerline of any common wall separating any Townhome from an adjoining Townhome shall constitute that portion of the common boundary line that runs between the attached areas of such Townhomes.

Each wall separating a Townhome from another Townhome shall constitute a party wall for the benefit of the owners of said Townhomes. Irrespective of whether the deed of conveyance of a Lot and Townhome located thereon shall make a specific reference to the rights to a party wall or an easement for lateral support, conveyance of each Lot and Townhome located thereon shall be deemed to include all undivided interest in so much of the width of the entire length of the party wall separating such Townhome from the adjoining Townhome as is situated on said Townhome, together with a grant of easement of lateral support for such part of said wall as is situated on the adjoining Townhome; and there shall be deemed reserved in the conveyance of each of such Lots and Townhomes located thereon a like easement of lateral support.

Section 6. All Lots Bear the Burdens and Enjoy the Benefits of this Declaration

Every person who is a record owner of a fee or undivided fee interest in any Lot does, by acceptance of a deed or other conveyance thereto, and by acceptance of such ownership, and by taking record title to such Lot, agree to all of the terms and provisions of this Declaration. Each of the Lots is subject to all the burdens, and enjoys all the benefits, made applicable hereunder.

Section 7. Easements Over the Lots

The Lots shall be subjected to, and the Declarant does hereby grant to the appropriate grantees thereof, the following easements:

(a) Each Lot shall be subject to all easements which are shown and depicted on the Plat as affecting and burdening such Lot;

(b) Each Lot shall be subject to an easement for slope control purposes, including the right to grade and plant slopes and prevent the doing of any activity that might interfere with slopes or which might create erosion or sliding problems or which might change, obstruct or retard drainage flow; and

(c) Each Lot, including the Townhome located thereon, shall be subject to an easement for the entry by tbe Authorized agents and representatives of the Association to go in such Townhome and upon such Lot under the circumstances, and for the purposes described in Article IX of this Declaration.

ARTICLE III. COMMON ELEMENTS

Section 1. Common Elements

The Declarant shall have the right to transfer and convey to the Association any portion of the Laurel Woods Property. All portions of the Laurel Woods Property which the Declarant shall so transfer or convey to the Association shall thereafter constitute Common Elements. Said right may be exercised by the Declarant any time, and from lime to time, prior to December 31, 200,

All portions of Laurel Woods Property which shall be transferred to the Association by the Declarant (a) shall be conveyed to the Association by limited warranty deed free of debt encumbrance, and (b) shall be conveyed to the Association subject to the rights and easements set forth in Sections 2 and 3 of this Article III, irrespective of whether the deed of conveyance shall make a specific reference to such rights and easements.

By joining in the execution of this Declaration, the Association does hereby covenant and agree to accept all conveyances of the Common Elements which may be made to it pursuant to, and in accordance with, the terms and provisions of this Section 1.

Section 2. Members' Rights in the Common Elements

Every owner of any Lot and the Townhome located thereto shall have a non-exclusive right and easement of enjoyment and use in and to the Common Elements and such right and easement shall be appurtenant to, and shall pass with, the title to the Lot(s) owned by such owner. Such right and easement of enjoyment and use are and shall be subject to the easements which are described in Section 3 of this Article III and to the right of the Association to promulgate reasonable rules and regulations regarding the use of the Common Elements, and the right of the Association, as provided in the Bylaws, to suspend the enjoyment rights of the owner of any Lot during any period in which any assessment which is due to the Association from such owner remains unpaid, and such period as the Executive Board may consider appropriate for any infraction of its published rules and regulations. No such suspension, however, shall prohibit the owner of any Lot from using the Common Elements to the extent necessary for such owner to have access to and from his Lot. In addition, the Executive Board may permit other persons who are not residents of any Lots to use the Common Elements upon such terms and conditions, and for the payment of such fees, as shall be determined by the Executive Board.

Section 3. Easements Over the Common Elements

All Common Elements shall be subject to, and Declarant and the Association do hereby grant, the following easements:

(a) An easement across, in, under, over and through the Common Elements for the purposes of the construction, installation, repair, maintenance and use of all utility and drainage lines, wires, pipes, sidewalks, private streets and similar facilities as exist on the date of this Declaration;

(b) An easement in favor of Declarant for the exclusive use of such portions of the Common Elements as may be reasonably desirable, convenient or incidental to the construction and installation of improvements on, and the sale of, any Lots and Townhomes thereon, including, but not limited to, sales and business offices, storage areas, construction yards and signs. Such easements shall be exercisable by any and all persons whom the Declarant shall authorize to exercise the same, including, without limitation. real estate sales agents and brokers and builders of residences upon the Lots, irrespective of whether such persons are affiliated with the Declarant. Such easements shall exist notwithstanding any provision of this Declaration which might be construed to the contrary, but shall terminate at such time as the construction on the Lots of all Townhomes has been completed and all of the Lots shall have been conveyed to owners thereof who shall not have acquired the Lots for the purpose of immediate resale of the same. Such easements shall and do exist without affecting the obligation of the owner of any Lot to pay assessments or charges coming due during such period of time as portions of the Common Elements shall be used by authorized persons pursuant to the exercise of the easements herein stated; and

(c) An easement for the continued maintenance, repair, replacement and use of the area on which the air-conditioning compressor serving any Townhome is located, such easement to be appurtenant to the Townhome served by such air-conditioning compressor.

Section 4. Damage or Destruction

All damage that shall occur to any improvements on any Common Elements on account of the occurrence of any casualty shall be repaired in all events, such repairs shall be undertaken and completed as soon after the occurrence of any casualty as is reasonably practicable. All repairs to any improvements located on the Common Elements shall be made in accordance with plans and specifications that shall be approved for the same by the Executive Board of the Association.

As provided in Section 47F-3-113 of the Act, it shall be the duty of the Association to obtain and maintain in effect at all times a policy of casualty insurance on all improvements located on the Common Elements, The amount of such policy shall be in amount that is no less than eighty percent (80%) of the replacement cost of the improvements to be insured with deductibles in amount to be determined by the Executive Board. It shall also be the duty of the Association to obtain and maintain in effect at all times a comprehensive policy of public liability insurance. The comprehensive policy of public liability insurance shall have a reasonable amount of coverage, as shall be determined by the Executive Board, and shall provide for such deductibles, as shall be determined by the Executive Board. During the existence of the Class B membership of the Association, both insurances may be provided by a self-insurance program maintained by the Declarant.

The owner of each Lot and Townhome located thereon shall obtain and maintain in effect at all times a master multi-peril policy of property insurance covering all insurable portions of such Townhome, on a replacement cost basis in an amount of not less than one hundred percent (100%) of the insurable value, based upon replacement cost, of the same,

Section 5. Transfer or Encumbrance

In no event shall the Association abandon, encumber, sell or transfer, directly or indirectly, any portion of the Common Elements unless such abandonment, encumbrance, sale or transfer shall be first approved in writing by: (a) the owners of no fewer than eighty percent (80%) of the Lots, and (b) the holders of no fewer than eighty percent (80%) of the First Mortgages existing in regard to the Lots; and (c) HUD and VA, until such time as the Class B membership shall terminate (as provided for in Article IV, Section 3 of this Declaration.)

Section 6. Maintenance of the Common Elements

The Association shall be responsible for the maintenance and repair of all Common Elements.

Section 7. Vehicles: Trailers: Boats: Automobiles

No boat, trailer, boat trailer, camper, truck or utility trailer shall be permitted to be stored or repaired upon any part of Laurel Woods Property, except with the permission of the Executive Board, and then, only in compliance with all requirements imposed by the Executive Board as a condition to the issuance of such permission. No automobile may be parked upon any Lot unless the same is parked on a pavement area located on such Lot for such purpose, and the same is in operating condition and has affixed thereto a then current license tag and, if applicable, operating sticker.

Section 8. Assigned Parking Spaces

The Executive Board shall have the authority to designate any parking spaces located on the Common Elements for the exclusive use of the occupants of a particular Townhome. In the event that the Executive Board shall exercise such authority, then no vehicles may be parked in any parking space so dedicated for use by the residents of such Townhome, except for automobile parked by a resident of such Townhome or parked with the permission of a resident of such Townhome. In no event shall more than two (2) such parking spaces be designated for the exclusive use of anyone Townhome.

ARTICLE IV. THE ASSOCIATION

Section 1. The Association

Prior to the date this Declaration has been filed for record with the Clerk of the Register of Deeds of Wake County, North Carolina, the Declarant has caused the Association to be formed, and the Association does now exist, under its Articles of Incorporation and Bylaws.

The Association is and shall be responsible for the ownership, management and operation of the Common Elements, the enforcement of the covenants and restrictions set forth in this Declaration, and the performance of such other duties and services as the Executive Board shall deem to be in the best interests of the members of the Association. The Association shall have all the power and authority provided in the Association by the provisions of Section 47F-3-102 of the Act.

Section 2. Membership

Every person who is, or who becomes, a record owner of a fee or undivided fee interest in any Lot is and shall be a member of the Association; provided, however, that any such person who holds such interest merely as security for the performance of an obligation shall not be a member of the Association. The transfer of ownership of a fee or undivided fee interest in any Lot shall automatically transfer membership in the Association, and in no event shall such membership be severed from the ownership of such Lot.

Section 3. Classes of Membership; Voting Rights

The Association shall have two classes of voting membership: Class A and Class B.

(a) Class A. The Class A members shall be all those persons holding an interest required for membership in the Association, as specified in Section 2 of this Article IV, except for those persons who are Class B members. Until such time as the Class A members shall be entitled to full voting privileges, as hereinafter specified, the Class A membership shall be entitled to vote only in regard to the following matters: (a) any proposal of merger, consolidation or dissolution of the Association; (b) any proposal to transfer or encumber any portion of the Common Elements; (c) any proposal pursuant to Article X of this Declaration to amend this Declaration; (d) any proposal to modify or amend the Articles of Incorporation or by the Bylaws: and (e) any other matter for which it is herein specifically provided, or for which it is provided by the Act, the North Carolina Non-profit Corporation Code or any other law, that approval of each and every class of membership of the Association is required. Except in regard to the foregoing matters, the Class A membership shall be a non-voting membership until such time as the Class B membership shall terminate, at which time the Class A membership shall be the sole class of membership and shall be entitled to full voting privileges.

When entitled to vote, Class A members shall be entitled to cast one (1) vote for each Lot in which they hold an interest required for membership by Section 2 of this Article IV.

(b) Class B. The Declarant shall be the sole Class B member. Class B membership shall be a full voting membership and, during its existence, the Class B member shall be entitled to vote on all matters and in all events, The Class B membership shall terminate and cease to exist, and the Class B member shall be and become a Class A member insofar as it may then hold any interest required for membership by Section 2 of this Article IV, upon the earliest to occur 01: (i) the date on which the Declarant shall have conveyed to individual owners thereof seventy-five percent (75%) of the Lots, or (ii) December 31,2007, or (iii) on such earlier date as the Declarant shall designate in a written notice delivered to the Association.

From and after the date at which the Class B membership automatically terminates and ceases to exist, such membership shall not be renewed or reinstated.

Section 4. Suspension of Membership Rights

The membership rights of any member of the Association, including the right to vote and to use the Common Elements (except for the right to use the Common Elements for access to and from the Lot owned by such member), may be suspended by the Executive Board pursuant to the authority granted in the Bylaws. Any such suspension shall not affect such member's obligation to pay assessments corning due during the period of such suspension and shall not affect the permanent charge and lien on the member's property in favor of the Association.

Section 5. Meetings of the Membership

All matters concerning the meetings of members of the Association, including the time at which and the manner in which notice of any said meeting shall be given to members, the quorum required for the transaction of business at any meeting, and the vote required on any matter, shall be as specified in the Act, in the North Carolina Nonprofit Corporation Act, in this Declaration, or in the Articles of Incorporation or the Bylaws, or by law.

Section 6. Association Acts Through Its Executive Board

Whenever approval of, or action or inaction by, the Association is referred to or called for in this Declaration, such action, inaction or approval shall be by the Executive Board of the Association, unless it is specifically stated in this Declaration, the Articles of Incorporation or the Bylaws with respect to such action, inaction or approval that the members of the Association must vote. No member of the Executive Board of the Association or any officer of the Association (including, without limitation, any such individual who shall have been elected by a vote of the Class B member) shall be personally liable to any owner of any Lot for any mistake of judgment or for any other act or omission of any nature whatsoever, except for any acts or omissions found by a court of competent jurisdiction to constitute gross negligence or fraud.

Section 7. Professional Management

The Association may, but shall not be obligated to, obtain and pay for the services of any person or other entity to manage the affairs of the Association, or any part thereof, and may enter into such agreements for the management of the Common Elements as the Executive Board deems to be in the best interests of the Association.

ARTICLE V. ASSESSMENTS

Section 1. Assessments; Liens Therefor

Each person other than the Declarant who shall own any Lot, by acceptance of a deed or other conveyance thereto, and by acceptance of such ownership, and by taking record title thereto, shall be deemed to covenant and agree to pay to the Association all assessments and charges which are levied by the Association against the Lot(s) owned by such person in accordance with the terms and provisions of the Act and this Declaration.

As more fully provided in Section 47F-3-116 of the Act, all sums lawfully assessed by the Association against any Lot and the owner thereof, which shall remain unpaid for a period of thirty (30) days from the date of such assessment, shall constitute a lien in favor of the Association on such Lot when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the Lot is located. Such lien shall be prior and superior to all other liens whatsoever, except:

(a) liens for ad valorem taxes and other governmental assessments on the Lot;

(b) any lien that was properly recorded prior to the docketing of the claim of lien in the office of the clerk of superior court;

(c) the lien of any First Mortgage or the lien of any prior Mortgage recorded in the Deed Records of Wake County, North Carolina; or

(d) the lien of any secondary purchase money Mortgage covering the Lot, provided that neither the grantee nor any successor grantee on the Mortgage is the seller of the Lot.

Section 2. Personal Obligation of Members

Each member of the Association other than the Declarant, by acceptance of a deed or other conveyance to the Lot(s) owned by such member, irrespective of whether it shall be so expressed in any such deed or other conveyance, and by acceptance of ownership of such Lot (s), and by taking record title to such Lot(s), shall be deemed to covenant and agree to pay to the Association:

(a) His share of the Annual Assessments which shall be levied by the Association in accordance with Section 4 hereof; and

(b) When properly authorized in accordance with Section 5 hereof, special assessments, such annual and special assessments to be fixed, established and collected from time to time as hereinafter provided.

All such assessments, together with interest thereon and costs of collection thereof, as hereinafter provided, shall be the personal obligation of the person who is the owner of the Lot against which such assessments are levied at the time such assessments become due and payable. The covenant to pay assessments herein stated is and shall be a covenant running with the land.

Section 3. Purposes of Assessments

The assessments levied by the Association pursuant to this Article V shall be used to pay the costs and expenses which the Association shall incur in connection with the performance of its duties and responsibilities pursuant to the Act, this Declaration, the Articles of Incorporation and the Bylaws (such costs and expenses being herein referred to as the "Annual Expenses"). Without limiting the generality of the foregoing, the Annual Expenses shall include the costs of: repair and maintenance of all Common Elements and the maintenance of the Lots as provided in Section 2 of Article IX; payment of all governmental charges, taxes and assessments which shall be levied against all Common Elements; payment of all costs and expenses incurred by the Association in connection with its operations, including, without limitation, the payment of electricity charges for all lighting located on the Laurel Woods Property which does not serve a particular Lot; payment of the premiums for all policies of property and liability insurance maintained by the Association with respect to Common Elements; payment of the premiums for all fidelity bonds which shall be obtained by the Association; the maintenance of reserves for the repair and replacement of improvements located on the Common Elements and for such other purposes as the Executive Board shall determine, in all cases in such amounts as the Executive Board shall determine the payment of the fees of such management firms as the Executive Board shall employ; and payment of the fees for the provision of such professional services as the Executive Board shall determine to be required by the Association, including legal, accounting and architectural services.

Section 4. Determination of Annual Assessment

Prior to the commencement of each fiscal year of the Association (said fiscal year being specified in the Bylaws), the Executive Board shall estimate the total amount of the Annual Expenses which are anticipated to be incurred by the Association during such fiscal year and shall determine the amount which will be deposited during such fiscal year into reserve funds maintained by the Association. The Executive Board shall thereupon adopt a budget for the Association's expenditures and reserve funding based upon such estimate and providing for the total annual assessment to be levied against the members of the Association for such fiscal year (the total assessment which shall be so determined and levied against all of the members of the Association for any fiscal year is herein referred to as the "Annual Assessment"). The amounts so determined by the Executive Board shall be levied against all of the members of the Association other than the Declarant and all Lots not owned by the Declarant. The amount of the Annual Assessment levied against each Lot shall be the same as the amount levied against every other Lot. Each Lot not owned by the Declarant shall be liable for that share of every Annual Assessment which is so determined by the Executive Board. The Executive Board shall send a copy of the budget so adopted by it, together with a written notice of the amount of the Annual Assessment so determined for such fiscal year and the amount of such Annual Assessment which shall be levied against each Lot, to the owner of every Lot prior to the commencement of the fiscal year during which such Annual Assessment is to be paid. The amount of such Annual Assessment which shall be levied against each Lot shall be due and payable to the Association in such installments the Executive Board shall determine, and after notice of the same shall have been given to all of the members of the Association by the Executive Board, and shall be paid to the Association when due without further notice.

Section 5. Special Assessments

If for any reason, including non-payment of any assessments to the Association by the persons liable therefor, the budget adopted by the Executive Board for any fiscal year shall prove to be inadequate to defray the Annual Expenses for such fiscal year, or if the Executive Board shall determine that it is in the best interests of the Association to levy a special assessment to pay the costs of any capital improvements or capital repairs, the Executive Board shall have the authority to levy a special assessment against the Lots and the owners thereof (other than the Declarant) to raise such needed funds. Any special assessment levied by the Executive Board pursuant to the provisions of this Section 5 shall be payable at such times and such installments as the Executive Board shall determine. Each Lot not owned by the Declarant shall be liable for the payment of an equal share of every special assessment which shall be levied by the Association pursuant to the provisions of this Section 5.

Section 6. Lots Owned by Declarant

Notwithstanding any term or provision of this Declaration which may be construed to the contrary, no Lot owned by the Declarant shall be subject to any assessment provided for in this Article V. Rather, all Lots owned by the Declarant shall be exempt from the payment of assessments for so long as such Lots lire owned by the Declarant. At such time as any Lot which is owned by the Declarant shall be conveyed or transferred away by the Declarant, all liens and assessments provided for in this Article V shall become immediately levied against such Lot and the owner of such Lot shall immediately become liable for the payment of all such assessments. The amount of each Annual Assessment which shall become so payable with respect to any Lot shall be prorated according to the respective portions of the fiscal year that such Lot was owned by the Declarant and by such successor owner.

Section 7. Effect of Non-Payment of Assessments; Remedies of the Association

(a) In the event that any member of the Association shall fail to pay, within ten (10) days after the date the same is due and payable, any annual or special assessment, or any installment of any annual or special assessment which is payable by him to the Association, the entire amount of such assessment, including the portion thereof which would otherwise be payable in installments, may be declared by the Executive Board to be immediately due and payable in full to the Association, As more fully set out in the Act, all such amounts so declared by the Executive Board to be due and payable in full to the Association shall be secured by the lien of the Association on every Lot owned by the delinquent member, which lien shall bind such Lot or Lots in the hands of the then owner, and his heirs, devisees, successors and assigns.

(b) All amounts which the Executive Board shall declare to be due and payable pursuant to this Section 7 shall bear interest from the date of delinquency at the lower of the rate of eighteen (18%) percent per annum or the highest rate permitted by law, and the Association may bring legal action against the member of the Association personally obligated to pay the same or foreclose its lien upon the Lot or Lots of such member, in either of which events such member shall also be liable to the Association for all costs and attorneys' fees which the Association shall incur in connection with the collection of such delinquent amounts.

ARTICLE VI. DAMAGE OR DESTRUCTION OF TOWNHOMES

In the event of the occurrence of any damage or destruction by fire or other casualty to any one or more Townhomes, such damage or destruction shall be repaired or rebuilt in all events. All repair, reconstruction or rebuilding of any Townhome shall be substantially in accordance with the plans and specifications for such damaged or destroyed Townhome prior to the occurrence of such damage, or in accordance with such differing plans and specifications as are approved for such purpose by both the owner of the Townhome which is to be so repaired, reconstructed or rebuilt, and by the Executive Board. The work of repairing, reconstructing or rebuilding any damaged or destroyed Townhome shall be completed as soon after the occurrence of such damage or destruction as is reasonably practicable at no cost or expense to the Association. The owner of any Townhome which is to be repaired, reconstructed or rebuilt pursuant to the provisions of this Article VI shall be responsible for the completion of such work in the manner, and within the time requirements, set forth in this Article VI.

ARTICLE VII. ARCHITECTURAL CONTROL

Section 1. Architectural Restrictions

(a) No Townhome shall be constructed on any Lot unless such Townhome contains no less than Two Thousand (2000) square feet of interior, heated space, and no more than Four Thousand (4000) square feet of interior, heated space

(b) No structure other than a fence shall be constructed, placed or installed upon any Lot, in a location which encroaches beyond any front, side or rear building set-back line which is depicted on the Plat. No fence shall be constructed or erected upon any Lot in any location other than entirely in the rear of the Townhome.

Section 2. Architectural Control

(a) No building, fence, wall, garage, , carport, playhouse, swimming pool, **hot tub or "Jacuzzi,"**[i] mailbox or other structure shall be commenced, erected or maintained upon any Lot, nor shall any exterior addition to, change in (including, without limitation, any change in the type of roofing material or in the color of the paint, stain or varnish), or alteration of, the Townhome located on any Lot or any other structure located on any Lot be made until complete and final plans and specifications, setting forth the information hereinafter described, shall have been submitted to, and approved in writing by, the Executive Board as to the harmony of the exterior design and general quality with the existing standards of the improvements located on the other Lots, and as to location in relation to surrounding structures and topography. In the event the Executive Board **or its designee**[i] fails to approve or disapprove such design and location within thirty (30) days after said plan and specifications have been submitted to it, **at the Association's designated address, unless such plans are found by the Executive Board or its designee to be incomplete of the detail required under Section 2, Paragraph b.,**[i] approval will not be required, and this Section 2 of Article VII will be deemed to have been fully complied with. **However, if submitted plans have been denied and an appeal has been submitted to the Executive Board, and the Executive Board fails to act with a period of sixty days from the date the appeal was received at the Association's designated address, the appeal will be deemed to have been approved.**[i]

(b) The plans and specifications which must be submitted to the Executive Board prior to the alteration or addition to any Townhome or the commencement of any structure upon any Lot, as hereinabove provided, shall contain at least the following information:

(i) A site plan showing the shape and size of the proposed structure and its location on the Lot on which the same is proposed to be constructed; and

(ii) Building plans of the proposed structure which shall include an exterior elevation drawing of the proposed structure;

(iii) In the case of any fence proposed to be erected on any Lot, a site plan showing the location of the proposed fence and a statement of which of the "Approved Fence Details" *(as* that term is defined in paragraph (c) herein below) said proposed fence shall conform to; and

(iv) In the case of the alteration of any Townhome, a complete description of the alteration proposed to be made, including a sample of any varnishes or paints proposed to be used.

(c) It shall be the duty of the Executive Board to maintain in effect a series of standardized designs of fences that may be erected upon any Lot. Said standardized fence designs which shall be so maintained by the Executive Board are hereinafter referred to as the "Approved Fence Details". The Executive Board may modify and change the Approved Fence Details, and adopt additional Approved Fence Details, at any time, and from time to time, *as* the Executive Board believes to be in the best interests of the owners of the Lots, The Executive Board shall furnish the owner of any Lot with a copy of the then existing Approved Fence Details upon such Lot owner's request.

In no event shall any fence be erected on any Lot unless the design of such fence shall conform to the then existing Approved Fence Details.

(d) The Association shall upon demand at any time, furnish to any member of the Association a certificate in writing signed by an officer of the Association, stating that any building, fence, wall, garage, carport, playhouse, swimming pool, mail-box or other structure erected upon such owner's Lot, or any exterior addition to, change in, or alteration of any Townhome or other structure owned by such member on a Lot, is in compliance with the provisions of this Section 2 of Article VII, and such certificate shall be conclusive as to whether the same is in such compliance.

(e) In the event that any construction or alteration work is undertaken or performed upon any Lot without application having been first made and approval obtained *as* provided in paragraph (a) of this Section 3, said construction or alteration work shall be deemed to be in violation of this covenant, and the person upon whose Lot said construction or alteration work was undertaken or performed may be required to restore to its original condition, at his sole expense, the property upon which said construction or alteration was undertaken or performed, Upon the failure or refusal of any person to perform the restoration required herein, the Executive Board, or their authorized agents or employees, may. after fourteen (14) days' notice to such person, enter upon the property upon which such unauthorized construction or alteration work has been performed, and make such restoration as the Executive Board, in the exercise of its discretion, may deem necessary or advisable. The person upon whose Lot such restoration work shall have been so performed shall be personally liable to the Association for all direct and indirect costs which the Association shall incur in the performance of such restoration work, and the liability for such cost shall be secured by all the liens, and shall be subject to the same means of collection, as the assessments provided for in Article V of this Declaration. Such costs shall be paid to the Association by the person liable for the same at the same time as the next due Annual Assessment payment, as provided in Section 4 of Article V of this Declaration, or at such earlier time, and in such installments, as the Executive Board shall determine.

Section 3. Declarant Exemption

Notwithstanding anything stated to the contrary herein, nothing contained in this Article VII shall be construed as prohibiting any construction by the Declarant upon any Lot while such Lot is owned by the Declarant. Any new construction performed by the Declarant upon any Lot while such Lot is owned by the Declarant shall be exempt from the provisions of Section 3 of this Article VII.

Section 4. Architectural Advisory Committee

The Executive Board shall be authorized to appoint an architectural advisory committee to advise it and assist it in connection with its performance of its responsibilities under Section 2 of this Article VII. The functions which may be performed by any such architectural advisory committee shall include reviewing plans and specifications which are submitted to the Executive Board in connection with proposals to construct or alter improvements upon the Lots and to **make recommendations to the Executive Board with respect to such plans and specifications.**[iii]

ARTICLE VIII. RESTRICTIONS

In order to provide for the maximum enjoyment of the Lots and Townhomes located thereon by all of the residents thereof and to provide protection for the value of the same, the use of the Lots and Townhomes located thereon shall be restricted to, and shall be only in accordance with, the following provisions:

Section 1. Single-Family Use

All of the Lots shall be restricted exclusively to single-family residential use, The term "single-family" shall include one or more related or unrelated adults, as well as the children of any such adults. No Lot shall at any time be used for any commercial, business or professional purpose. Notwithstanding the foregoing, however, nothing set forth in this Section 1 shall prohibit: (a) the Declarant from conducting such sales, leasing and promotional activities on any Lot as said Declarant shall determine (including but not limited to, using any Townhome as a model home and sales office); or (b) the owner of any Townhome from using a portion of a Townhome as an office, provided that such use does not create regular customer or client traffic to and from such Lot and Townhome located thereon and no sign, logo, symbol or nameplate identifying such business is displayed anywhere on such Lot.

Section 2. Prohibited Activities

No noxious or offensive activity shall be conducted on any Lot. Each owner of any Lot, his family, tenants, guests and invitees, shall refrain from any act or use of his property which could reasonably cause embarrassment, discomfort, annoyance or nuisance to any other resident or residents of any other Lot. **The only flag permitted on the front structure of Townhomes is the United States of America flag, of a size not to exceed 36 by 60 inches. Flags may not be displayed on the side of end unit Townhomes. Subject to the standards described under Prohibited Activities, other flags or banners may be displayed only on rear walls, decks, or patios with a maximum size of 36 by 60 inches. Small garden banner flags of no more than 16 by 24 inches in size may be mounted on low metal hangers not to exceed 36 inches in height within only landscaped areas of member's lot.** [i]

Section 3. Nuisances

No nuisance shall be permitted to exist upon any Lot. Without limiting the generality of the foregoing, no exterior speakers, horns, whistles, bells, or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any Lot, or any portion thereof.

Section 4. Trash; Animals

No portion of any Lot shall be used as a dumping ground for rubbish, trash or garbage, nor shall any trash or garbage be permitted to accumulate upon any Lot. Garbage containers shall be buried or screened on each Lot so that the same shall not be visible from the street or from any part of any other Lot

No Lot or Townhome located there on shall be used for the keeping or breeding of livestock animals or poultry of any kind, except that a reasonable number of household pets may be kept, provided that they are neither kept for breeding nor maintained for any commercial purpose, and provided that none of such pets are permitted to be a source of annoyance to any other resident or residents of any other Lot.

Section 5. Signs

No sign of any kind or character shall be erected on any portion of any Lot, or displayed to the public on any portion of any Lot, without the prior written consent of the Executive Board, except for customary name and address signs and one "for sale" sign advertising a Lot for sale. The restriction herein stated shall include the prohibition of placement of any sign within a Townhome in a location from which the same shall be visible from the outside and the placement of any sign in or upon any motor vehicle.

Section 6. Antennas; Aerials; Satellite Dishes

No antennas, aerials, satellite dishes or other reception devices having a diameter or diagonal measurement greater than one meter shall be installed on any Lot. So long as reception of an acceptable quality is not precluded, the antenna, aerial, satellite dish or other reception device of appropriate size shall be located only on that portion of the Lot which is least visible from public view and shielded so as to minimize any risk and to ensure a nuisance is not created.

Section 7. Clotheslines

No clothesline shall be erected on any portion of any Lot.

Section 8. Window Air-Conditioners

No air-conditioner shall be installed in any window of any Townhome, nor shall any air-conditioner be installed 0Ii any Townhome on any Lot so that the same protrudes through any exterior wall of such Townhome.

Section 9. Temporary Structures

Subject to the right of the Declarant to promote the sale of Lots, no structure of a temporary character, including, without limitation, any trailer, tent, shack, garage or other building, shall be permitted on any Lot at any time, whether temporarily or permanently, except with the prior written consent of the Executive Board; provided, however, that temporary structures may be erected or placed upon a Lot for use in cOlU1ection with the repair or construction of structures upon such Lot.

Section 10. Subdivision of Lots

No Lot may be further subdivided into any smaller Lot.

Section 11. Enforcement by Members

In the event that the owner of any Lot, or any person who is entitled to occupy any Lot, shall fail to comply with or abide by any restriction set forth in this Article VIII, then the owner of any other Lot who is aggrieved by such failure of compliance or abidance shall have the right to proceed at law or in equity to compel such owner or such occupant to comply therewith and abide thereby. Additionally, any owner of any Lot who, or whose lessee, shall fail to comply with or abide by any such restriction shall be liable for any damages as may be suffered by any other owner of any Lot as a consequence of such failure.

ARTICLE IX.
MAINTENANCE OF TOWNHOMES, LOTS, BACKYARD AREAS AND LANDSCAPING

Section 1. Maintenance and Repair of Townhomes

The owner of each Townhome shall be obligated to maintain and repair his Townhome, **except for cyclical maintenance, as determined by the schedule adopted by the Association's Executive Board, based upon accepted engineering estimates to include repair and replacement of roofs (including caulking and replacement of metal roofs, and composition shingles), gutters and downspouts, caulking of trim, power washing vinyl siding, painting exterior trim surfaces, deck and fence protection, which shall be the responsibility of the Association. Such items listed as the responsibility of the Association shall be repaired, replaced and maintained on a regularly scheduled basis as determined by the Executive Board.**[ii] Any other maintenance and repair work shall be performed at the sole cost and expense of the owner of such Townhome. All exteriors of all Townhomes shall be maintained in a condition which is satisfactory to the Executive Board. In no event shall any change be made in the exterior appearance of any Townhome (including, without limitation, painting and the application of any brick, stucco, paneling or other siding), unless such change has been first approved in writing by the Executive Board, as provided for in Article VII, Section 2 hereof.

Section 2. Maintenance of Lots and Backyard Areas

(a) Except as provided otherwise in paragraph (b) hereof, the Association shall be responsible for maintaining the grass and the grounds of the portion of each Lot which is not located inside a fence. Such maintenance shall consist of normal grass mowing and any other activity necessary to keep such grounds in a condition that is satisfactory to the Executive Board.

(b) The owner of any Lot shall be obligated to maintain any trees, flowers, shrubbery or bushes on such Lot in a condition which is satisfactory to the Executive Board. Such maintenance shall include, without limitation, removing dead trees, shrubs and other plants and pruning and otherwise maintaining all plants, shrubbery, trees, flowers, bushes, ivy and other foliage.

(c) The owner of each Lot shall be obligated to keep and maintain any portion of the Backyard Area of such Lot which is enclosed within a fence erected in accordance with Section 3 of this Article IX in a neat, sanitary and attractive condition which is satisfactory to the Executive Board. Such maintenance shall include, without limitation, cutting the grass, weeds and other vegetation, removing dead trees, shrubs and other plants and pruning and otherwise maintaining all plants, shrubbery, trees, flowers, bushes, grass, ivy and other foliage as may be planted in and on such Backyard Area,

Section 3. Fences

The owner of every Lot shall have the right to erect in the Backyard Area only of such Lot a fence to enclose all or any part of such Backyard Area of such Lot. Any such fence that shall be so erected shall contain a gate providing access into said backyard Area which shall not contain my lock or locking device. In no event shall the owner of any Lot lock or otherwise secure said gate in such a way that it cannot be opened to permit access into said Backyard Area.

It shall be the duty of the Executive Board to maintain in effect a standardized design for the fence that may be so erected upon any Lot. In no event shall any fence be erected pursuant to the provisions of this Section 3 unless the design of such fence shall conform to the standardized design which shall be so maintained in effect by the Executive Board.

In the event that the owner of any Lot shall elect to erect any such fence pursuant to the provisions of this Section 3, the owner of such Lot shall be responsible for the repair, maintenance and replacement of such fence.

Section 4. Failure of Maintenance

In the event that the owner of any Lot shall fail to maintain any portion of his Lot, including the Townhome that is located on such Lot and the Backyard Area of such Lot, (including any fence that may have been erected in such Backyard Area), all as required under the terms and provisions of this Article VIII, the Executive Board shall have the right, exercisable by it or through its agents or employees, and after giving the owner of such Lot at least five (5) days notice and an opportunity to correct the unsatisfactory condition, to enter upon the Lot, and correct the unsatisfactory condition. The owner of the Lot upon which such maintenance work is performed by the Association (or its agents or employees) shall be personally liable to the Association for all direct and indirect costs as may be incurred by the Association in connection with the performance of such maintenance work, and the liability for such costs shall be secured by all of the liens, and shall be subject to the same means of collection, as are the assessments and charges provided for in Article V of this Declaration, In addition, all such costs shall be paid to the Association by such owner at the same time as the next due annual assessment payment, as provided in Section 4 of Article V of this Declaration, or at such earlier time, and in such installments, as the Executive Board shall determine.

ARTICLE X. AMENDMENTS

The terms, provisions, covenants and restrictions of this Declaration may be amended upon the approval of such amendment by (a) those members *of* the Association who own in the aggregate, no-fewer than sixty-seven percent (67%) of the Lots not owned by the Declarant, (b) the Declarant, if the Declarant shall then own any Lot; and (c) HUD and VA, if the Class B membership has not terminated as provided in Article IV, Section 3 of this Declaration. The approval of any such amendment by the members of the Association shall be given by each such member either casting a vote in favor of such amendment at a meeting of the members of the Association duly called for such purpose, or by such member signing a. written approval of such amendment after the date on which such meeting was held, notwithstanding anything set forth to the contrary in the Articles of Incorporation or Bylaws. If any such amendment is required to be approved by the Declarant and/or HUD and V A, such approval shall be given only by such Person executing a written approval of the same.

Any amendment to the terms, provisions. covenants or restrictions of this Declaration shall become effective only upon the recording with the Register of Deeds Records of Wake County, North Carolina, of an instrument certified by the incumbent President of the Association setting forth such amendment and stating that the approval of the members of the Association which, under the provisions of this Article X, is required for such amendment to be effective, has been given and obtained; and (c) containing the written approval of the Declarant and/or HUD and VA, if the same is required (as hereinafter provided).

The matters set forth in such instrument shall be presumed to be true and accurate and the amendment which is set forth in such instrument shall be effective, unless it shall be determined by a court of competent jurisdiction that the matters certified to in such instrument are not true and accurate.

Each person who shall own any Lot, by acceptance of a deed or other conveyance thereto, and by acceptance of such ownership, and by taking record title thereto, and each holder of a Mortgage upon any portion of any Lot, by acceptance of such Mortgage, thereby agrees that the terms, provisions, covenants and restrictions of this Declaration maybe amended as provided in this Article X.

ARTICLE XI. MISCELLANEOUS

Section 1. Failure of Enforcement

In the event that the Association shall fail to enforce the compliance with any of the provisions of this Declaration by the owner of any Lot, then the owner of any other Lot shall have the right to file an action in a court of competent jurisdiction for an order from such court requiring that the Association enforce such compliance; provided, however, in no event shall the Executive Board, or any officer of the Association, or any of their agents, be personally liable to anyone on account of their failure to enforce any of the terms, provisions or restrictions set forth in this Declaration.

Section 2. Waivers

In no event shall the failure by the Association to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, provisions or agreements set forth In this Declaration be construed as a

waiver or relinquishment of the future enforcement of any such term, covenant, condition, provision, or agreement. The acceptance of performance of anything required to be performed with knowledge of the breach of a term, covenant, condition, provision or agreement shall not be deemed a waiver of such breach, and no waiver by the Association of any term, covenant, condition, provision or agreement shall be deemed to have been made unless expressed in writing and signed by a duly authorized officer of the Association.

Section 3. Duration

This Declaration, and all of the terms, easements, provisions, liens, charges, restrictions and covenants set forth herein, shall run with and bind the land (the Lots), shall be and shall remain in effect, and shall inure to the benefit of, and be enforceable by, the Association, and by any owner of any Lot, their respective legal representatives, heirs, successors and assigns, perpetually.

Section 4. Notices

Any notice required to be sent to any member of the Association pursuant to any provision of this Declaration may be served by depositing such notice in the mails, postage prepaid, addressed to the member to whom it is intended, at the address which such member shall have furnished to the Secretary of the Association in accordance with the Bylaws, or, in the absence of any such address having been so furnished to the Secretary of the Association, at the address of any Lot owned by such member. The date of service shall be the date of mailing.

Section 5. Severability

Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if any provision of this Declaration or the application thereof to any person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and to this end the provisions of this Declaration are declared to be severable.

Section 6. Enforcement

Enforcement of these covenants and restrictions shall be by any proceeding at law or in equity against any person or persons or other entities violating or attempting to violate any covenant or restriction, either to restrain violation Or to recover damages, and against the Lots, to enforce any liens created by this Declaration. This Declaration replaces and supercedes that certain Declaration of Covenants and Restrictions for Laurel Woods recorded with the Register of Deeds of Wake County, North Carolina in Book 8590, Page 1207.

Section 7. Successors to Declarant

In no event shall any person or other entity succeeding to the interest of the Declarant by operation of law or through purchase of the Declarant's interest in all or any portion of Laurel Woods Property at foreclosure, sale under power or by deed in lieu of foreclosure, be liable for any act, omission or matter occurring, or arising from any act, omission or matter occurring, prior to the date such successor succeeded to the interest of the Declarant.

IN WITNESS WHEREOF, Pulte Home Corporation and Laurel Woods Townhome Association, Inc. have caused this Declaration to be executed by their duly authorized officers on the day and year first above written.

PULTE HOME CORPORATION

By: Lawrence E. Lippincott

Lawrence E. Lippincott
City President

North Carolina
Wake County

I, Christia Boykin a Notary Public for said County and State, do hereby certify this 29 day of November. 2000, that Lawrence E. Lippincott, personally appeared before me and acknowledged that he is the president of Pulte Home Corporation, a Michigan corporation, and that he as President being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal, this a day of November, 2000.

Notary Public

Notary Public

My Commission Expires: 9/30/2004

CHRISTIA H. BOYKIN NOTARY PUBLIC WAKE COUNTY, N.C.

BYLAWS
OF
LAUREL WOODS
HOMEOWNERS ASSOCIATION

BYLAWS

ARTICLE I: OFFICE

The Association shall at all time maintain a registered office in the Sate of North Carolina and a registered agent at that address. The association may also have such other offices as the Executive Board shall determine.

ARTICLE II: DEFINTIONS

Unless the context requires otherwise, the terms defined in the Declaration of Covenants and Restrictions for Laurel Woods, dated 5/22/00, recorded in Wake County, North Carolina in Deed Book 5890, Page 12-4 the "Declaration", the Declaration being incorporated herein in its entirety shall have the same meanings for purposed of these Bylaws as are ascribed to them in the Declaration.

ARTICLE III: MEMBERS

Section 3.1. Membership

The Association shall have two classes of membership, Class A and Class B, which classes of membership shall have the rights conferred upon them by the Declaration and the Articles of Incorporation of the Association, and these Bylaws.

Section 3.2. Annual Meeting

A meeting of the members of the Association shall be held annually at such time and place on such date as the Directors shall determine from time to time.

Section 3.3. Special Meetings

Special meetings of the members may be called at any time by the President of the Association. Additionally, it shall be the duty of the President to call a special meeting of the members upon being presented with a written request to do so signed (i) by a majority of the members (directors) of the Executive Board, or (ii) by the members of the Association entitled to cast no less than ten percent (10%) of the total vote of the Association.

Section 3.4. Notice of Meetings

It shall be the duty of the Secretary to give a notice to each member of each meeting of the members within the time limits required by Sections 47F-3-108 and 55A-7-05 of the General Statutes of North Carolina. Each notice of a meeting shall state the purpose thereof as well as the time and place where it is to be held.

Section 3.5. Quorum

A quorum shall be deemed present throughout any meeting of the members until adjourned if members, in person or by proxy, entitled to case more than ten percent (10%) of the votes of the Association are present at the beginning of such meeting.

Section 3.6. Voting

On all matters upon which the members are entitled to vote, each member shall be entitled to cast one)1) vote for each Lot and in which he shall own of record a fee interest or an undivided fee interest. In no event, however, shall more than one vote be case with respect to any Lot.

During any period in which a member shall be in default in the payment of any amount due and owing to the Association, the vote which is allocated to any Lot in which such member owns a fee interest shall not be counted for any purpose.

Section 3.7. Adjournments

Any meeting of the members, whether or not a quorum is present, may be adjourned by the holders of a majority of the votes represented at the meeting to reconvene at a specific time and place. It shall not be necessary to give any notice of the reconvened meeting, if the time and place of the reconvened meeting are announced at the meeting which as adjourned. At any such reconvened meeting at which a quorum is represented or present, any business may be transacted which could have been transacted a the meeting which was adjourned.

ARTICLE IV: EXECUTIVE BOARD

Section 4.1. Number

The number of members of the Executive Board shall be three (3). From and after the election of the Executive Board to be elected by the Class A members, the Executive Board shall consist of five (5) members.

Section 4.2. Appointment and Election

Until the termination of the Class B membership, as provided in the Declaration and the Articles of Incorporation of the Association, the members of the Executive Board shall be elected annually by the Class B members.

From and after the termination of the Class B membership, as provided in the Declaration and the Articles of Incorporation of the Association, the members of the Executive Board (except for the members of the first Executive Board to be elected after the termination of the Class B membership) shall be elected at each annual meeting of the members of the Association and shall serve for a term of **two years. For the fiscal year beginning in 2006, two board positions shall be elected. For the fiscal year beginning in 2007, three board positions shall be elected. Thereafter, members of the Executive Board shall be elected in alternating set of two positions for even numbered fiscal years, then three positions for odd numbered fiscal years.** [ii]

Each member entitled to vote shall be entitled to case one (1) vote for each Lot owned by such member for each directorship to be filled on the Executive Board. Cumulative noting shall not be permitted. The candidate receiving the most votes shall be elected.

Section 4.3. Vacancies

Any vacancy occurring in the Executive Board may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Executive Board.

Section 4.4. Quorum

A quorum shall be deemed present throughout any meeting of the Executive Board until adjourned if directors in person or by proxy, entitled to cast more than fifty percent (50%) of the votes of the Executive Board are present at the beginning of such meeting.

Section 4.5. Duties and Powers

Except as specifically provided otherwise in the North Carolina Nonprofit Corporation Act, the North Carolina Planned Community Act, the Declaration, the Articles of Incorporation of the Association or these Bylaws. The powers inherent in or expressly granted to the Association may be exercised by the Executive Board, acting through the officers of the Association, without any further consent or action on the part of the members. The Executive Board may delegate any powers to any other person or managing agent as provided for in Section 47F-3-106 of the General Statutes of North Carolina.

Without limiting the generality of the provisions of this Section 4.5, the Executive Board shall have the following specific powers:

(a) To suspend the membership rights of any member of the Association, including the right to vote and use the Common Elements and the facilities located thereon, during the period of time such member shall be delinquent in the payment of any assessment, assessment installment, or any other amount or amounts as shall be due and payable to the Association, or shall fail to comply with or abide by any rule or regulation adopted by the Executive Board in regard to the Common Elements after a hearing as provide in Section 47F-3-107 of the General Statues of North Carolina; and

(b) To enter into management agreements for the Association as provided in the General Statutes of North Carolina.

Section 4.6. Regular Meetings

Until such time as the Class B membership shall terminate, the Executive Board shall not be required to hold regular meetings and the Executive board shall meet as often as the President of the Association shall determine. Thereafter, the Executive Board shall meet no less frequently than once every six months.

Section 4.7. Special Meetings

Special Meetings of the Executive Board may be called at any time by the President, or by any three directors, on two (2) days notice to each director, which notice shall specify the time and place of the meeting. Notice of any such meeting may be waived by an instrument in writing executed before or after the meeting. Attendance in person at any meeting shall constitute a waiver of notice thereof.

Section 4.8. Compensation

No fee or compensation shall be paid by the Association to directors for their services in said capacity unless such fee or compensation is approved by a majority of the votes of the members cast at a duly convened meeting thereof, and in no event shall any director receive any compensation from the Association for serving as director prior to the termination of the Class B membership. The directors of the Executive Board shall be entitled in all events, however, to reimbursement for reasonable expenses incurred by them in the perform of their duties.

ARTICLE V. OFFICERS

Section 5.1. General Provisions

The officers of the Association shall consist of a President, a Vice President, a Secretary and a Treasurer. In addition, the Association shall have such other officers as the Executive Board shall deem to be desirable in connection with the administration of the affairs of the Association. Any two or more offices may be held by the same persons, except the offices of President and Secretary.

Section 5.2. Appointment

All of the officers of the Association shall be appointed by, and shall serve at the pleasure of, a majority of the members of the Executive Board.

Section 5.3. President

The President shall be the chief executive offer for the Association, and shall preside at all meetings of the members and of the Executive Board. The President shall manage, supervise, and control all of the business and affairs of the Association, and shall have all of the powers and duties which are incident to the office of the president of a corporation organized under the North Carolina Nonprofit Corporation Act. Upon approval of any amendments to the Declaration as provided in the Declaration, the President shall prepare, execute, certify and record such amendment to the Declaration.

Section 5.4. Vice-President

The Vice President shall perform the duties of the President whenever the President shall be absent or unable to perform such duties. If neither the President nor the Vice-President shall able to perform such duties, the Executive Board shall appoint one of their members to act in the place of the President on an interim basis.

Section 5.5. Secretary

The Secretary (a) shall attend all meetings of the members and of the Executive Board and shall keep the minutes thereof, (b) shall be responsible for the prepearati8on and giving of all notices which re required to be given by the Declaration and these Bylaws, (c) shall be the custodian of the books and records of the Association, (d) shall keep a register of the addresses of each member of the Association, and (e) shall perform such other duties as are incident to the office of the secretary of a corporation organized under the North Carolina Nonprofit Corporation Act.

Section 5.6. Treasurer

The Treasurer shall be charged with the management of the financial affairs of the Association, and shall keep full and accurate financial records and books of account showing all receipts and disbursements and of the Association, and shall prepare all required financial data. The Treasurer shall also perform all of the duties which are incident to the office of the treasurer of a corporation organized under the North Carolina Nonprofit Corporation Act.

Section 5.7. Compensation of Officers

The officers of the Association shall be entitled to the payment of such compensation as shall be approved by two-third (2/3) of the total members of the Executive Board; provided, however, that prior to the termination of the Class B membership, in no event shall any officer receive any compensation from the Association for serving in such capacity.

ARTICLE VI. MISCELLANEOUS

Section 6.1. Fiscal Year

The fiscal year of the Association shall be the calendar year.

Section 6.2. Certain Notices

Any member who shall sell or lease any Lot in which he has a fee or undivided fee interest shall promptly give the Secretary a written notice of such sale or lease, which notice shall also set forth the name and address of such purchaser or lessee. The address so furnished for such purchaser or lessee shall be the address to which the Secretary shall send any notices to be sent to such purchase or lessee, until such purchaser or lessee shall furnish the Secretary with another address for such purpose. In addition, the secretary shall send any notices to the owner of such Lot to the address provided by such owner to the Secretary.

ARTICLE VII. AMENDMENTS

These Bylaws may be amended only in accordance with the following procedure: the Executive Board shall first adopt a resolution proposing the amendment and recommending its adoption by the members. Such proposed amendment shall then be presented to the members at a meeting thereof duly called and held for the purpose of considering such proposed amendment. If such proposed amendment is approved by a least two-thirds (2/3) of the votes cast at such meeting, such amendment shall become effective; provide, however, that the U.S. Department of Veterans Affairs (if it is then guaranteeing any Mortgage secured by an Lot) and/or the U.S. Department of Housing and Urban Development (if it is then insuring any Mortgage secured by any Lot) shall have the right to veto material amendments to these Bylaws for as long as the Class B membership shall not have terminated.

ARTICLE VIII. INDEMNIFICATION

Each person who is or was a director or officer of the Association shall be indemnified by the Association against those expenses (including attorneys' fees) judgments, fines and amounts paid in settlement which are allowed to be paid or reimbursed by the Association under the laws of the State of North Carolina and which are actually and reasonably incu7rred in connection with any action, suit, or proceeding, pending or threatened, whether civil, criminal, administrative or investigative, in which such person may be involved by reason of his being or having been a director of officer of the Association. Such indemnification shall be made only in accordance with the laws of the State of North Carolina and subject to the condition prescribed therein.

In any instance where the laws of the State of North Carolina permit indemnification to be provided to persons who are or have been an office or director of the Association only on a determination that certai9n specified standards of conduct have been met, upon application for indemnification by any such person the Association shall promptly cause such determination to be made (i) by the Executive Board by majority vote of a quorum consisting of directors not at the time parties to the proceeding; (ii) if a quorum cannot be obtained by majority vote of a committee duly designated by the Executive Board (in which designation directors who are parties to the proceeding; (iii) by special legal counsel selected by the Executive Board or its committee in the manner prescribed in (i) or (ii), or if a quorum of the Executive Board cannot be obtained under (i), and a committee cannot be designated under (ii), selected by majority vote of the full Executive Board (in which selection directors who are parties may participate); or (iv) by the members, but members who are also directors who are at the time parties to the proceeding may not vote on the determination.

As a condition to any such right of indemnification, the Association may require that it be permitted to participate in the defense of any such action or proceeding through legal counsel designated by the Association and at the expense of the Association.

The Association may purchase and maintain insurance on behalf of any such persons whether or not the Association would have the power to indemnify such officers and directors against any liability under the laws of the State of North Carolina. If nay expenses or other amounts are paid by way of indemnification, other than by court order, action by the members or by an insurance carrier, the Association shall provide notice of such payment to the members in accordance with the provisions of the laws of the State of North Carolina.

The undersigned hereby certifies that the rules and covenants contained in the Bylaws of Laurel Woods Townhome Association, Inc. were adopted on the ___day of _____.

LAUREL WOOD TOWNHOME ASSOCIATION, INC.

By: _____

Name:_____

Title: Secretary

Endnotes:

[i] Changed in 2003
[ii] Changed in 2005
[iii] Reverted in 2013