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**DECLARATION OF
LONDON CREEK
CONDOMINIUM**

Prepared by and after recording mail to:

824

plu

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CONSENT AND SUBORDINATION OF MORTGAGEE

NORTH CAROLINA
GUILFORD COUNTY

DECLARATION OF
LONDON CREEK
CONDOMINIUM

CAMPUS I, LLC, a North Carolina limited liability company, as Developer and hereinafter referred to as "Declarant," does hereby make, declare and establish this Declaration of Condominium as and for the plan of dwelling ownership of Landon Creek Condominium, being the property and improvements hereinafter described.

WITNESSETH:

WHEREAS, Developer is the owner of the fee simple title to that certain real property situated in Guilford County, North Carolina, which property is more particularly described on Exhibit "A" attached hereto and incorporated herein by reference, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real property.

WHEREAS, Developer does hereby submit the above-described property, the buildings located thereon and all other improvements to condominium ownership under the provisions of Chapter 47C of the General Statutes of North Carolina (North Carolina Condominium Act), and hereby declares the same to be a condominium to be known and identified as "LONDON CREEK," sometimes hereinafter referred to as the "Condominiums."

WHEREAS, Developer desires to submit all of said property to the Act.

NOW, THEREFORE, Developer, as the owner of said property, hereby declares as follows:

ARTICLE I

Definitions

Definitions. As used herein, the following words and terms shall have the following meanings:

1.1. Act. The North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes.

1.2. Additional Real Estate. The real estate described in Exhibit A-1 together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.

1.3. Allocated Interests. Allocated Interests shall mean the undivided interests in the Common Elements, common expense liability, and the votes in the Association allocated to each Unit.

1.4. Association. Landon Creek Condominium Association, Inc., a nonprofit corporation organized under Section 47C-3-101, North Carolina General Statutes.

1.5. Board. The Executive Board of the Association.

1.6. Bylaws. The Bylaws of the Association which are hereby incorporated herein and made a part hereof by this reference, and attached as Exhibit B.

1.7. Common Elements. All portions of the Condominium except the Units. Limited Common Elements are Common Elements. "Common Elements" shall include the completed permanent water retention area or bio-cell, if any, as shown on the Plat (the "Water Quality Device") and all private streets, if any, shown on said plats as now recorded or shall be recorded in the Guilford County Register of Deeds.

1.8. Common Expenses. Expenditures made or liabilities incurred by or on behalf of the Association, including but not limited to, any allocations to reserves and expenses of administration, maintenance, repair or replacement of the Common Elements.

1.9. Condominium. The condominium created by this Declaration.

1.10. Declarant. Developer and (i) any other person who has executed this Declaration, or who hereafter executes an amendment to this Declaration except First Mortgagees and except persons whose interests in the Property will not be conveyed to Unit Owners, and (ii) any person who succeeds to any Special Declarant Rights as defined in Section 47C-1-103(23) of the Act.

1.11. Declarant Control Period. The period commencing on the date hereof and continuing until the earlier of the following:

(i) the date two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business, or

(ii) the date upon which Declarant surrenders control of the Condominium, or

(iii) the date one hundred twenty (120) days after the Declarant has conveyed seventy-five percent (75%) of the Units (including Units annexed by Supplemental Declaration) to Unit Owners other than a Declarant, or

(iv) the date two (2) years after any development right to add new Units was last exercised by Declarant; or

(v) seven (7) years after the first Unit was conveyed to a Unit Owner.

1.12. First Mortgage and First Mortgagee. A First Mortgage is a mortgage or deed of trust which has been recorded so as to give constructive notice thereof, and which is a first lien on the Units described therein. A First Mortgagee is the holder, from time to time, of a First

Mortgage as shown by the records of the Office of the Register of Deeds of Guilford County, North Carolina, including the Federal National Mortgage Association and a purchaser at foreclosure sale upon foreclosure of a First Mortgage until expiration of the mortgagor's period of redemption. If there be more than one holder of a First Mortgage, they shall be considered as, and act as, one First Mortgagee for all purposes under this Declaration and the Bylaws.

1.13. Limited Common Elements. Those portions of the Common Elements allocated by this Declaration or any amendments thereto, the Plans or by operation of Section 47C-2-102(2) or (4) of the Act for the exclusive use of one or more, but fewer than all, of the Units, including, but not limited to, any deck, porch, balcony, patio, attic, storage shed or detached garage.

1.14. Occupant. Any person or persons in possession of a Unit, including Unit Owners, the family members, lessees, guests and invitees of such person or persons, and family members, guests and invitees of such lessees.

1.15. Person. A natural person, corporation, partnership, trust or other legal or commercial entity, or any combination thereof.

1.16. Plans. The plans of the Condominium recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended, and described on Exhibit C.

1.17. Plat. The survey plat depicting the Condominium and the location of the buildings on the Property recorded with, and by the Act made a part of, this Declaration, as the same may hereafter be amended, and described on Exhibit C.

1.18. Property. The real estate described on Exhibit A, and the real estate described on Exhibit A-1 to be added by Declarant pursuant to Article III hereof, together with all buildings and improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate.

1.19. Rules and Regulations. The rules and regulations of the Condominium promulgated by the Executive Board from time to time.

1.20. Special Declarant Rights. The rights as defined in Section 47C-1-103(23) of the Act for the benefit of a Declarant, including, but not limited to, the following: to complete the improvements indicated on the Plans; to maintain sales offices, management offices, models and signs advertising the Condominium on the Property; to exercise any development right as defined in Section 47C-2-110 of the Act, including the right to add additional property or withdraw portions of property from the Condominium; to use easements over the Common Elements; to elect, appoint or remove members of the Board during the Declarant Control Period; and to make the Condominium part of a larger condominium.

1.21. Unit. A portion of the Condominium designated for separate ownership or occupancy, whether or not contained solely or partially within a building, together with its percentage of undivided interest in the Common Elements as set forth on Exhibit D. Each Unit is designated and delineated on the Plans.

1.22. Unit Boundaries. The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the Plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, the undecorated surfaces of the ceiling facing the interior of the uppermost level of the Unit, and the topmost surfaces of the subflooring of the lowest level of the Unit, and include the decoration on all such interior and topmost surfaces, including, without limitation, all panelling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the decorated surfaces thereof, and also includes all spaces, interior partitions and other fixtures and improvements within such boundaries. Also included as a part of the Unit shall be those portions of the heating and air conditioning system for the Unit which are located within the perimeter walls of the Unit and those portions of the heating and air conditioning system serving such Unit but located in the Common Elements, wherever located.

1.23. Unit Owner. The person or persons, including the Declarant, owning a Unit in fee simple.

ARTICLE II

Submission of Property to the Act

2.1. Submission. Developer hereby submits the Property to the Act.

2.2. Name. The Property shall hereafter be known as Landon Creek Condominium.

2.3. Division of Property into Separately Owned Units. Developer, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property into twenty-four (24) Units and does hereby designate all such Units for separate ownership, subject however, to the provisions of Section 2.4 hereof. Each unit has been assigned an Identifying Number as shown on Exhibit C and listed on Exhibit D, and no Unit bears the same Identifying Number as any other Unit. The Condominium Plat is recorded in Condominium Plat Book 13, Pages 132-138, Guilford County Registry.

2.4. Alterations of Units. Subject to the provisions of the Bylaws, a Unit may be altered pursuant to the provisions of Sections 47C-2-111, 47C-2-112 and 47C-2-113 of the Act.

2.5. Limited Common Elements. The Limited Common Elements serving or designed to serve each Unit are hereby allocated solely and exclusively to each such Unit, and include the following:

(a) Any shutters, awnings, window boxes, doorsteps, exterior doors, window frames, panes, screens and stoops designed to serve a single Unit but located outside the Unit's boundaries are allocated exclusively for the use of that Unit.

(b) Any entrance breezeway, stairway, hall and landing located in any building is reserved for the use of and allocated to the Unit Owners of Units in that Building, their families, guests, invitees and lessees.

(c) Any garage or storage shed designed to serve a single Unit and/or multiple Units located in a structure detached from the Units and designated as being for the specific use of an identified Unit.

2.6. Allocated Interests The allocation to each Unit of a percentage of undivided interest in the Common Elements and of a percentage of the Common Expenses, is as stated on Exhibit D. The allocation of undivided interests in the Common Elements and of the Common Expenses has been determined by a ratio formulated upon the relation that the square foot area of each Unit bears to the then aggregate square foot area of all Units. The votes in the Association are equally allocated to all Units with each Unit Owner having one (1) vote for each Unit owned.

2.7. Use of Common Elements. Each Unit Owner shall have the right to use the Common Elements, with the exception of the limitations set forth in Article V, in accordance with the purposes for which they are intended, and for all purposes incident to the use and occupancy of the Unit Owner's Unit, including unrestricted ingress and egress to and from the Owner's Unit, and such right shall be appurtenant to and run with the Unit; provided, however, that no person shall use the Common Elements or any part thereof in such a manner as to interfere with or restrict or impede their use by others entitled to their use, or in any manner contrary to or not in accordance with this Declaration, Bylaws and the Rules and Regulations.

2.8. Encumbrances. The liens, defects and encumbrances affecting the Property to which the rights of Unit Owners and Occupants are hereby made subject are set out on Exhibit E.

2.9. Reservation of Special Declarant Rights. Declarant hereby reserves all Special Declarant Rights.

ARTICLE III

Development Rights

3.1. Declarant's Right to Add Additional Real Estate. Declarant expressly reserves the right for a period of seven (7) years from the date of recording this Declaration to add the Additional Real Estate to the Condominium and to create on the Additional Real Estate, Units, Common Elements and Limited Common Element without the consent of any Unit Owner or Mortgagee. All or part of the Additional Real Estate identified and described on Exhibit A-1 may be added to the Condominium at different times, but no assurances are made in regard to the order in which such portions may be added. Declarant is not obligated to add all of the Additional Real Estate. The method of adding the Additional Real Estate to the Condominium shall be pursuant to Section 47C-2-110 of the Act.

3.2. Maximum Number of Additional Units; Units Restricted to Residential Use. The maximum number of additional Units that may be created within the Additional Real Estate is seventy-two (72) and the total number of Units in the Condominium shall not exceed one ninety-six (96). All of such Units will be restricted exclusively to residential use.

3.3. Compatibility of Style, Etc. It is the Declarant's present intent that any buildings and Units that may be erected upon the Additional Real Estate or a portion thereof will be compatible with the other buildings and Units in the Condominium in terms of architectural style, quality of construction, principal materials employed in construction, and size. Declarant, however, expressly reserves the right to change the architectural style and size of any buildings and Units which may be erected upon the Additional Real Estate.

3.4. Subdivision of Units. Declarant hereby reserves the right for seven (7) years from the date of recording of this Declaration to subdivide an existing Unit owned by Declarant into two or more new Units, or into two or more new Units and new Common Elements and/or Limited Common Elements, without the consent of any Unit Owner or mortgagee. Declarant's right under this Paragraph 3.4 shall apply to Units created under this original Declaration, as well as to Units which may be created on any additional real estate added to the Condominium pursuant to Paragraph 3.1 of this Article, if the amendment adding such real estate so provides. If Declarant elects to exercise its right to subdivide Units, Declarant shall file an amendment to this Declaration reallocating the Allocated Interest appurtenance to the original Unit between or among the new Units created by the subdivision of the Unit in proportion to the number of square feet of heated floor area contained in each new Unit.

3.5. Conversion of Units to Common Elements. Declarant hereby reserves the right for seven (7) years from the date of recording of this Declaration to convert an existing Unit or Units owned by Declarant entirely to Common Elements, without the consent of any Unit Owner or mortgagee. Declarant's right under this Paragraph 3.5 shall apply to Units created under this original Declaration as well as to Units which may be created on any Additional Real Estate added to the Condominium pursuant to Paragraph 3.1 of this Article III, if the amendment adding such real estate so provides. If Declarant elects to exercise its right to convert Units to Common Elements, Declarant shall file an amendment to this Declaration reallocating the Allocated Interest appurtenant to the former Unit(s) equally among the remaining Units in the Condominium.

3.6. Method of Exercising Development Rights. In the event Declarant exercises any of its development rights under this Article III, Declarant shall prepare, execute with the same formalities as a deed, and record an amendment to this Declaration in the public records of Guilford County, North Carolina, such amendment to refer specifically to the recording data identifying this Declaration. Such amendment shall assign an Identifying Number to any new Unit created thereby, describe any new Common Elements and Limited Common Elements created thereby and, in the case of the latter, designate the Unit(s) to which such Limited Common Elements are reserved. If appropriate, the amendment shall reallocate the Allocated Interest in the Common Elements among all Units then located in the Condominium. In that event, the Allocated Interest of each Unit shall be determined in the manner prescribed in Article 3.10 based on the number of Units then comprising the Condominium, and the reallocation shall become effective upon recording the amendment.

In addition to the execution and recordation of the amendment to the Declaration described above, Declarant shall record in the public records of Guilford County either new plats and plans of the Condominium evidencing the changes effected by Declarant's exercise of its development rights, or new certifications of the plats and plans previously recorded if the Condominium continues to conform to those plats and plans.

Each Unit Owner shall be deemed by his acceptance of the deed to a Unit to have consented to the Development Rights reserved in this Article and to any amendments previously or thereafter executed by Declarant pursuant to this Article and to Article XIV hereof. Except as provided in this Declaration, the Allocated Interest in the Common Elements appurtenant to each Unit shall not be changed except with the unanimous consent of all Unit Owners and with the consent of all of the First Mortgagees, as defined in Article I hereof, holding first mortgages or deeds of trust on the Units.

Any and all of the Development Rights reserved under this Article III may be exercised as to any, all or none of the real estate described in Exhibit "A" and Exhibit "A-1" of this Declaration, at different times and from time to time, and in any sequence, all in the sole discretion of the Declarant.

3.7. Applicability of Restrictions, Etc. All restrictions in this Declaration and the Bylaws affecting use, occupancy and alienation of Units will apply to any and all additional Units that may be created within the Additional Real Estate or by subdivision of Units.

3.8. Other Improvements and Common Elements. In addition to the buildings and Units that may be erected upon the Additional Real Estate or a portion thereof, the other improvements and Common Elements that may be made or created upon or within the Additional Real Estate or each portion thereof which may be added to the Condominium will be generally similar in quality and quantity to the improvements and Common Elements located in the Condominium.

3.9. Applicability of Assurances to Additional Real Estate. The assurances made in this Article III will apply with respect to any Additional Real Estate that is added to the Condominium.

3.10. Allocation of Interest in Common Elements and Common Expenses. At such time as Declarant adds the Additional Real Estate to the Condominium, the percentage interest of each Unit Owner in the Common Elements and the Common Expenses will be determined by a ratio formula based on the relation that the square foot area of each Unit in the Condominium bears to the aggregate square foot area of all Units in all phases having an interest in the Common Elements.

3.11. Withdrawal of Property. Declarant hereby reserves for seven years from the date of recording of this Declaration the right to withdraw Property from the Condominium without the consent of any Unit Owner or First Mortgagee but subject to prior approval by the City of Greensboro Planning Department. Declarant's right to withdraw Property under this Section 3.11 presently extends to the real estate described on Exhibit A attached hereto; provided, however, that if and as the Additional Real Estate is added to the Condominium pursuant to Section 3.1, Declarant's right to withdraw under this Section 3.11 shall extend to each piece of Additional Real Estate so added.

In the event Declarant elects to exercise its right to withdraw real estate from the Condominium, Declarant shall file an amendment to this Declaration pursuant to Section 3.6 above reallocating the allocated Interests in the Common Elements of each Unit remaining in the Condominium. The Allocated Interests shall be determined by a ratio formulated based on the

relation that to the approximate square footage of each remaining Unit will bear to the aggregate square footage of all remaining Units.

ARTICLE IV

Grant and Reservation of Easements and Licenses

4.1 The Common Elements shall be, and the same are hereby declared to be, subject to a perpetual non-exclusive easement in favor of all Unit Owners and Occupants for their use and the use of their immediate families, guests and invitees, for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of said Unit Owners. Notwithstanding the foregoing or anything provided herein to the contrary, the Association and Board shall have the right to establish the Rules and Regulations pursuant to which a Unit Owner or Occupant, his family, guests and invitees, may be entitled to use the Common Elements and Limited Common Elements.

4.2: Encroachments. In the event that, by reason of the construction, reconstruction, rehabilitation, alteration or improvement of the buildings or improvements comprising a part of the Property, any part of any Unit or the Common Elements now or hereafter encroaches upon any part of any other Unit or any part of Common Elements an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for so long as each such encroachment exists; provided that in no event shall an easement for such encroachment be created if such encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Elements or Units so encroached upon.

4.3. Easements Through Walls. Easements are hereby declared and granted to the Association and to such persons as are authorized by the Association, to install, lay, maintain, repair and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations, and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

4.4. Easements To Repair, Maintain, Restore and Reconstruct. Wherever in, and whenever by, this Declaration, the Bylaws or the Act, a Unit Owner, the Association, the Board, or any other person, is authorized to enter upon a Unit or the Common Elements to inspect, repair, maintain, restore or reconstruct all or any part of a Unit or the Common Elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted. Damage caused by the use of such easements shall be promptly repaired at the expense of the party causing such damage.

4.5. Easements for Utilities. The Units and Common Elements shall be, and are hereby, made subject to easements in favor of the Declarant (until Declarant shall have satisfied all of its obligations under the Declaration and Bylaws and all commitments in favor of any Unit Owner and the Association), the Association, appropriate utility and service companies and governmental agencies or authorities for such utility and service lines and equipment as may be necessary or desirable to serve any portion of the Property. The easements provided for by this Section 4.5 shall include, without limitation, rights of Declarant, the Association, any providing utility, any service company, and any governmental agency or authority and any of them to install, lay, maintain, repair, relocate and replace gas lines, pipes and conduits, water mains and

pipes, sewer and drain lines, telephone wires and equipment, television equipment and facilities (cable or otherwise), electrical wires, conduits and equipment and ducts and vents and any other appropriate equipment and facilities over, under, through, along and on the Units and Common Elements. Notwithstanding the foregoing provisions of this Section 4.5, unless approved in writing by the Unit Owner or Unit Owners affected thereby, any such easement through a Unit shall be located either in substantially the same location as such facilities or similar facilities existed at the time of first conveyance of the Unit by the Declarant to a grantee other than the Declarant, or so as not to materially interfere with the use or occupancy of the Unit by its Occupants.

4.6. Declarant's Easement. Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary for the purposes of discharging its obligations, exercising Special Declarant Rights, and completing the development and construction of the Condominium, which easements shall exist as long as reasonably necessary for such purpose.

4.7. Easement for Storm Water Retention. The Common Elements shall be and are hereby made subject to easements in favor of the Declarant, its successors and assigns, for the installation, maintenance, repair, relocation, replacement and use of storm water lines, pipes, conduits, mains and retention pond facilities and other appropriate equipment and facilities related to storm water drainage. The easements provided for in this Section 4.7 shall be for the benefit of the Property and other nearby property owned at any time hereafter by Declarant.

4.8. Easements To Run With Land. All easements and rights described in this Article IV are appurtenant easements running with the land, and except as otherwise expressly provided in this Article IV shall be non-exclusive and perpetually in full force and effect, and shall inure to the benefit of and be binding upon Declarant, the Association, Unit Owners, Occupants, First Mortgagees and any other person having any interest in the Condominium or any part thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article IV, whether or not specifically mentioned in any such conveyance or encumbrance.

ARTICLE V

Restrictions, Conditions and Covenants

5.1. Compliance with Declaration, Bylaws and Rules and Regulations. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, this Declaration, the Bylaws, the Articles of Incorporation of the Association, and Rules and Regulations promulgated by the Board or the Association, as amended. Failure to comply shall be grounds for an action by the Association, an aggrieved Unit Owner, or any person adversely affected, for recovery of damages, injunction or other relief. The acceptance of a deed conveying title to a Unit or entering to a lease or occupancy of any Unit shall constitute an agreement that the Owner or Occupant accepts and ratifies the provisions of this Declaration, the Bylaws and the Rules and Regulations.

5.2. Administration of Condominium. To efficiently and effectively provide for the administration of the Condominium by the Unit Owners, a nonprofit North Carolina corporation

known as Landon Creek Condominium Association, Inc. (the "Association") has been organized, and said corporation shall administer the operation and management of the Condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and Bylaws. The Unit Owner(s) of each Unit shall automatically become members of said Association upon his, her, their or its acquisition of an ownership interest in title to any Unit and its Allocated Interest in the Common Elements, and the membership of such Unit Owner(s) shall terminate automatically upon such Unit Owner(s) being divested of such ownership interest in the title to such Unit, regardless of the means by which such ownership may be divested. No person, firm or corporation holding any lien, mortgage or other encumbrances upon any Unit shall be entitled, by virtue of such lien, mortgage or other encumbrance, to membership in said corporation or to any of the rights or privileges of such membership except as set forth in Article XVII hereof. In the administration of the operation and management of the Condominium, the Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Units and Common Elements as the Board may deem to be in the best interests of the Association, including, without limitation, the following (i) rules limiting the right of Unit Owners to keep domestic pets in Units; (ii) assignment of parking spaces and (iii) rules concerning the use of the Unit and parking dues.

In addition, the Association shall have and is hereby granted the authority and power, upon and subject to such terms and conditions as the Association in its sole discretion deems appropriate, to grant easements, leases, licenses and concessions through, over or with respect to the Common Elements without a vote or the consent of the Unit Owners, including permanent and temporary easements for portions of Common Elements to be used for wiring or installation of satellite disc systems upon conditions which may include the condition that acceptance by any Unit Owner of such an easement for the benefit of that Unit Owner's Unit shall be deemed consent (i) to the right of the Association to suspend such easement during any period in which any obligation of the Unit Owner to the Association is delinquent and, upon such suspension, to remove or disable any part of the system affixed to any Common Element; (ii) to the right of the Association to terminate the easement at any time upon a period of notice, if any, fixed in the grant and the obligation of the Unit Owner, upon such termination, to remove from the Common Elements any portions of such system designated by the Association; (iii) that the Unit Owner shall, at the option of the Association, perform or reimburse the Association for the cost of any maintenance or repair of Common Elements made necessary as the result of the installation, use, presence or removal of the system, including removal by the Association; (iv) that the Unit Owner shall reimburse to the Association any incremental cost of insuring Common Elements which results from the installation or maintenance of the system; and (v) that any amount owing to the Association for such reimbursement and not paid when due shall be assessed exclusively against such Unit and the assessment shall be the personal obligation of the Unit Owner and a lien against such Unit to the same extent provided under Article VI of this Declaration.

5.3. Use Restricted: Use by Declarant.

(a) The Units shall be occupied and used by Unit Owners and Occupants for single-family residential purposes, including home professional uses which (i) do not use any signage that is visible from the exterior of the Unit, (ii) do not involve regular visits

from public or commercial vehicles, and (iii) do not involve levels of mail, shipping, trash or storage that would unreasonably burden other Unit Owners.

(b) No signs including "For Rent" signs or other window displays or advertising shall be maintained or permitted by any Unit Owner or Occupant on any part of the Condominium without the prior written consent of the Board; provided that this restriction shall not apply to the Declarant. Notwithstanding the foregoing restriction, "For Sale" signs may be displayed in front of a Unit for a reasonable time, such sign not to exceed 3 feet by 2 feet in size.

(c) The foregoing provisions of this Section or any other provision of this Declaration or the Bylaws notwithstanding, Declarant shall have an easement to maintain sales offices and models for sales of Units throughout the Condominium and for the sale of residential houses or condominium units that Declarant develops or plans to develop on land adjacent to or in the general vicinity of the Condominium and management offices. Declarant shall have the right to relocate, from time to time, and to discontinue and reestablish, from time to time, within the Condominium, for not more than seven (7) years after the last of the Units has been conveyed to a Unit Owner other than a Declarant, any one or more of such offices or models. Declarant also shall have the right to change the use or combination of uses of such offices or models, provided that such offices or models shall be used only for sales and/or management offices or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed seven (7), and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

(d) Declarant shall also have an easement to maintain signs on the Common Elements advertising the Condominium until all of the Units have been conveyed to Unit Owners other than a Declarant. Declarant shall remove all such signs not later than thirty (30) days after all of the Units have been conveyed to Unit Owners other than Declarant and shall repair or pay for the repair of all damage done by removal of such signs.

(e) The foregoing provisions of this Section or any other provision of this Declaration or the Bylaws notwithstanding, the Association may maintain an office in the Condominium for management of the Condominium.

5.4. Hazardous Use and Waste. Nothing shall be done to or kept in any Unit or the Common Elements that will increase any rate of insurance maintained with respect to the Condominium without the prior written consent of the Board. No Unit Owner or Occupant shall permit anything to be done to or kept in his Unit or the Common Elements that will result in the cancellation of insurance maintained with respect to the Condominium, or that would be in violation of any law, or that will result in the commitment of waste (damage, abuse, or destruction) to or in his Unit or the Common Elements.

5.5 Alteration of Units. Subject to the terms of this Declaration and any rules or regulations promulgated by the Board or Association, a Unit Owner may:

(1) make any improvements or alterations to his Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium; and

(2) after acquiring an adjoining Unit and obtaining the prior written consent of the Board, remove or alter any intervening partition or create apertures therein, even if the partition is a Common Element, if these acts do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this Section is not an alteration of Unit Boundaries.

5.6. Alterations of Common Elements. No Unit Owner or Occupant, except Declarant during the Declarant Control Period, shall alter, construct anything upon, or remove anything from, the Common Elements, or paint, decorate, landscape or adorn any portion of the Common Elements, without the prior written consent of the Board, including painting or other decoration, the installation of electrical wiring, television or radio antennae or any other objects or devices which may protrude through the walls or roof of the Condominium.

5.7. Prohibition of Renting for Transient or Hotel Purposes. No Unit Owner shall rent his Unit for transient or hotel purposes, which, for the purposes of this Declaration shall be defined as either a rental for any period less than thirty (30) days or any rental if the lessee of the Unit is provided customary hotel services. Each permitted lease shall lease an entire Unit, shall be in writing, shall be for a period in excess of 30 days, and shall be subject to this Declaration, the Bylaws and any Rules and Regulations, and any failure of the lessee to comply with the terms of such documents shall be a default under the lease. Any Unit Owner who enters into a lease of his Unit shall promptly notify the Association of the name and address of each lessee, the Unit rented, and the term of the lease. Other than the foregoing restrictions, each Unit Owner shall have the full right to lease his Unit.

5.8. Pets. Only domestic pets shall be allowed in the Condominium. For the purposes of this paragraph, "domestic pets" shall be defined solely as dogs, cats or birds. Except for the foregoing, no other animals, livestock or poultry of any kind shall be raised, bred or kept on the Property. The Rules and Regulations may further address the right to have pets.

5.9. Television, Aerials, Antennas and Satellite Dishes. No radio, television or other aerial, antenna, satellite dish, tower or other transmitting or receiving structure or support thereof, of whatever size, shall be erected, installed, placed or maintained within the Condominium unless so erected, installed, placed or maintained entirely out of sight within a Unit; provided, however, television dishes 24 inches or less in diameter may be installed by a Unit Owner on the balcony or patio comprising a Limited Common Elements of his or her Unit provided such dish is installed out of sight in a location approved by the Board. Prior to installing a television dish, a Unit Owner must submit to the Board for its approval the proposed location for the television dish within sixty (60) days prior to the proposed installation. The Board, in its sole discretion, may approve or disapprove of the proposed location of the dish. If the Board disapproves of the proposed location of the dish, the Board shall provide to the Unit Owner a suggested alternate location for the dish that will be acceptable to the Board.

5.10 Parking. No tractor, mobile home or trailer (either with or without wheels), camper, camper trailer, boat or other watercraft, boat trailer or any other recreational vehicle

shall be parked on any portion of the Common Elements. The foregoing restriction shall not apply to sales trailers, construction trailers or other vehicles which may be used by Declarant and its agents and contractors in the conduct of their business prior to completion of the Condominium, and shall not apply to service vehicles which are temporarily parked while service contractors are providing temporary service work in one or more Units in the Condominium or on the Common Elements.

Permitted vehicles shall be parked or stored in or upon the Common Elements only in an area provided by the Association for such storage and subject to rules and regulations and fees charged by the Association, and shall not be parked or stored within any street right-of-way. The Declarant reserves the right to designate parking spaces and to delegate to the Board the authority to designate parking spaces for each Unit. No Unit Owner or Occupant shall repair or restore any vehicle of any kind upon the property, except for emergency repairs, and then only to the extent necessary to enable movement thereof to a proper repair facility. Each parked vehicle must display a valid current license plate and inspection sticker and must not be larger than a standard parking space at the Condominium.

5.11. Exterior and Visible Interior Improvements.

(a) No awnings, shades, screens or other item shall be attached to, hung or used on the exterior of any window or door of a Unit or on the exterior of any building without the prior written consent of the Board, including the location or construction of fences and the planting or growing of flowers, trees, shrubs or other vegetation. All shades, blinds, drapery linings and other window treatments visible from the exterior of a Unit on any window or door shall be white or off-white. Outside clothes lines or other outside facilities for drying or airing clothes are specifically prohibited and shall not be erected, placed or maintained on any portion of the Condominium, nor shall any clothing, rugs, or any other item be hung on any railing or fence enclosing any balcony, porch, patio or deck.

(b) No Unit Owner shall install any electrical or telephone wire, television antenna, air conditioning unit, or other machine anywhere on the Condominium in such a fashion that it is visible anywhere outside of a Unit.

(c) As a condition to granting approval for any request to make alterations described herein, the Board or Association may require that the Unit Owner requesting the alteration or improvement be liable for all costs of maintaining, repairing and insuring the approved alteration or improvement. If such a condition is imposed, the Unit Owner shall evidence his consent thereto by a written document in a recordable form satisfactory to the Board or Association. Thereafter, the Unit Owner and any subsequent Owner is deemed to covenant and agree that the cost of maintaining, repairing and insuring the approved alteration shall be a part of the annual assessment or charge set forth in Article VI, and subject to the lien rights described in said Article.

5.12. Prohibitions on Use of Common Elements. Except with specific written approval of the Board, the Common Elements, including Limited Common Elements, shall not be used for temporary or permanent storage or supplies, personal property, trash or refuse of any kind, other than in common trash receptacles placed at the discretion of the Board, nor shall such areas be

used in any way for the drying or airing of clothing, rugs or other fabrics. Entrances, sidewalks, yards, driveways, parking areas and stairways shall not be obstructed in any way. No activities shall be carried on nor condition maintained by any Unit Owner, either in his Unit or upon the Common Elements, if such activities should despoil, or tend to despoil, the appearance of the Property. No "garage", "attic sales" or "yard sales" shall be permitted outside of a Unit. It is expressly acknowledged and agreed by all parties concerned that this section is for the mutual benefit of all Unit Owners of the Property and is necessary for the protection of the Unit Owners and is enforceable by the Board or by any one or more Unit Owners through the Board.

5.13. Nuisances. No nuisances shall be allowed upon the Property and no person shall engage in any use, practice or activity upon the Property which is noxious, offensive or a source of annoyance to Unit Owners or their tenants or which reasonably interferes with the peaceful possession and proper use of the Property by any Unit Owner and/or tenants. 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 the Property. All parts of the Property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate and no fire hazard shall be allowed to exist. Any Unit Owner or Occupant who shall dump or place (or permit his family, tenants, guests or agent to do so) any trash or debris upon any portion of the Property shall be liable to the Association for the actual cost of removal thereof or the sum of \$100.00, whichever is greater, and the same shall be added to and become a part of the assessment next coming due to which the Unit Owner of his Unit is subject. No Unit Owner or Occupant shall permit any use of a Unit or of the Common Elements which will increase the rate of insurance upon the Property. The Association and its agent shall have the right to remove any item or items left outside a Unit on the Common Elements or hanging from a balcony.

5.14. Lawful Use. No immoral, improper or unlawful use shall be made of the Property or any part thereof. All valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction thereof shall be observed.

5.15. Rules and Regulations. In addition to the foregoing restrictions, conditions and covenants concerning the use of the Condominium, reasonable rules and regulations not in conflict therewith and supplementary thereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the Bylaws.

5.16. Restrictions, Conditions and Covenants To Run With Land. Each Unit Owner and Occupant shall be subject to all restrictions, conditions and covenants of this Declaration, and all such restrictions, conditions and covenants shall be deemed to be covenants running with the land, and shall bind every person having any interest in the Property, and shall inure to the benefit of every Unit Owner.

ARTICLE VI

Assessments

6.1. Assessment Liens. The Association has the power to levy assessments against the Units for Common Expenses. Such assessments shall be a lien on the Units against which they are assessed, and if any payment thereof becomes delinquent, the lien may be foreclosed and the

Unit sold, or a money judgment obtained against the persons liable therefor, all as set forth in the Bylaws.

6.2. Personal Liability of Transferees; Statement; Liability of First Mortgagee.

(a) The personal obligation for assessments which are delinquent at the time of transfer of a Unit shall not pass to the transferee of said Unit unless said delinquent assessments are expressly assumed by said transferee.

(b) Any transferee referred to in (a) above shall be entitled to a statement from the Board, pursuant to Section 6.13 below, and such transferee's Unit shall not be subject to a lien for any unpaid assessments against such Unit in excess of the amount therein set forth.

(c) Where a First Mortgagee, or other person claiming through such First Mortgagee, pursuant to the remedies provided in a deed of trust, or by foreclosure or by deed, or assignment, in lieu of foreclosure, obtains title to a Unit, the liability of such First Mortgagee or such other person for assessments shall be only for the assessments, or installments thereof, that would become delinquent, if not paid, after acquisition of title. For purposes hereof, title to a Unit shall be deemed acquired by foreclosure upon expiration of the applicable period of redemption.

(d) Without releasing the transferor from any liability therefor, any unpaid portion of assessments which is not a lien under (b) above or, resulting, as provided in (c) above, from the exercise of remedies in a deed of trust, or by foreclosure thereof or by deed, or assignment, in lieu of such foreclosure, shall be a Common Expense collectible from all Unit Owners, including the transferee under (b) above and the First Mortgagee or such other person under (c) above who acquires ownership by foreclosure or by deed, or assignment, in lieu of foreclosure.

6.3. Calculation of Assessments. Unless specifically otherwise provided for in this Declaration, all assessments made by the Association shall be in such an amount that any assessment levied against a Unit Owner and his Unit shall bear the same ratio to the total assessment made against all Unit Owners and their Units as the Allocated Interest in the Common Elements appurtenant to each Unit bears to the total Allocated Interest in the Common Elements appurtenant to all Units;

In the event that utility services which are provided to Unit Owners are charged to and paid for by the Association, the cost of such utilities shall be a party of Common Expenses and levied against each Unit Owner in proportion to his Unit's share of the Allocated Interest, or in such other proportions as the Executive Board, in its sole discretion, may determine; any portion of the Common Expense, including expense for utility service, which was incurred for the benefit of fewer than all Unit Owners may be assessed solely against the Unit Owner or Owners benefited in such proportions as the Board, in its sole discretion, shall determine; and

Provided that, until the end of the Declarant Control Period, as defined in Section 1.11, and notwithstanding any other provision of this Declaration, any assessment levied on a Unit owned by Declarant shall: (1) if at the time of such levy no certificate of occupancy has been

issued for that Unit, be twenty-five percent (25%) of the amount computed based on the Allocated Interest appurtenant to such Unit; and (2) if at the time of levy a certificate of occupancy for that Unit has been issued, be fifty percent (50%) of the amount computed based on the Allocated Interest appurtenant to such Unit; and

Provided further that, if the Common Expense incurred by the Association shall exceed the assessments herein provided for any period in which the assessment levied as to Units owned by Declarant shall be reduced pursuant to this Section 6.3, then Declarant shall indemnify and hold the Association harmless as to such deficit.

6.4. Payment of Assessments. Assessments provided for herein shall be payable in monthly installments or such other installments as may be determined by the Board of the Association. Such assessments shall commence for each Unit upon the first day of the first month following recordation of this Declaration.

The payment of any assessment or installment thereof shall be in default if such assessment or installment is not paid to the Association within thirty (30) days of the due date of such payment. When in default, the delinquent assessment or delinquent installment thereof due to the Association shall bear interest at the lesser of the rate of eighteen percent (18%) per annum or the maximum rate permitted by applicable law until such delinquent assessment or installment thereof, and all interest due thereon, has been paid in full to Association. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid within ten (10) days after it is due, shall be subject to such reasonable late charge not to exceed the greater of twenty (\$20.00) per month or ten percent (10%) of any unpaid assessment per month for each monthly assessment in arrears. All monies owing to the Association shall be due and payable at the principal office of Association in the State of North Carolina, or at such other address as the Association may designate from time to time by notice in writing.

6.5. Prohibition of Exemption from Liability for Contribution Toward Common Expenses. No Unit Owner may exempt himself from liability for his share of the Common Expenses assessed by the Association by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit or otherwise.

6.6. Special Assessments. In addition to the annual assessment authorized above, the Board may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair or replacement of the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Unit Owners of Units to which two-thirds (2/3rds) of the Allocated Interest in the Common Elements are assigned, voting in person or by proxy at a meeting duly called for such purpose.

6.7 Individual Specific Assessments. Any expenses incurred by the Association because of the actions of one or more Owners or occupants of an Owner's Unit, or because of their failure to act, and with respect to which such expenses are chargeable thereto and recoverable therefrom pursuant to any provision of this Declaration or rules and regulations adopted hereunder, and any fines as may be imposed against an Owner in accordance with this Declaration will be specially assessed as a Specific Assessment against each such Owner and the Owner's Unit.

6.8. Procedure for Establishing a Budget.

(a) The Board shall establish an annual budget in advance for each fiscal year (which shall correspond to the calendar year, except that in the initial year of operation of the Condominium, the fiscal year shall commence with the closing of the sale of the first Unit). Such budget shall project all expenses for the forthcoming year which may be required for the allowance for contingencies and reserves, and the budget shall take into account projected anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The Board shall keep separate, in accordance with paragraph 6.8 of this Article VI items relating to operation and maintenance from items relating to capital improvements. Within thirty (30) days after adoption of the budget by the Board, the Board shall provide a copy of said budget or a summary thereof to each Unit Owner and shall set a date for a meeting of the Unit Owners to consider ratification of the budget not less than fourteen (14) or more than thirty (30) days after mailing of the budget or summary to the Unit Owners. There shall be no requirement that a quorum be present at the meeting. The budget is deemed ratified unless at the meeting the Unit Owners entitled to cast sixty-seven percent (67%) of the votes of the Association rejects the budget. In the event the Board fails to propose a budget or the proposed budget is rejected the annual budget last ratified shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board.

(b) Until December 31 of the year in which the first Unit is conveyed to a Unit Owner other than Declarant, the maximum annual assessment shall be \$1,500.00 per Unit payable, in advance, in monthly installments of \$125.00 each. From and after January 1 of the year immediately following the conveyance of the first Unit to a Unit Owner other than Declarant, the maximum annual assessment may be increased each year not more than ten percent (10%) above the maximum assessment for the previous year without a vote of the membership of the Association. From and after January 1 of the year immediately following the conveyance of the first Unit to a Unit Owner other than Declarant, the maximum annual assessment may be increased above ten percent (10%) by a vote of the Unit Owners to whom sixty-seven percent (67%) or more of the Allocated Interest in the Common Elements have been assigned who are voting in person or by proxy, at a meeting duly called for such purpose.

6.9. Capital Improvement Fund.

The Board, in establishing the annual budget for operation, management and maintenance of the Condominium, shall designate therein a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the Common Elements ("Capital Improvement Fund"). This Fund shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the Common Elements, as well as the replacement of portions of the Common Elements. The amount to be allocated to the Capital Improvement Fund shall be established by the Board so as to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Elements. The amount collected for the Capital Improvement Fund may be maintained in a separate account by the Association and such monies shall be used only to make capital improvements to Common

Elements. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the Executive Board of the Association, be expended for current operation and maintenance. Each Unit Owner shall be deemed to own a portion of the Capital Improvement Fund equal to his Unit's Allocated Interest in the Common Elements and the Association shall annually notify each Unit Owner of the amount of his balance in the Capital Improvement Fund; however, such balance shall not be subject to withdrawal by a Unit Owner.

6.10. Property of the Association.

All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Condominium, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the Bylaws of the Association. As monies for any assessment are paid to the Association by any Unit Owner, the same may be commingled with monies paid to the Association by any other Unit Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom or from the leasing or use of Common Elements, shall be held for the benefit of the members of the Association, no member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his Unit. When a Unit Owner shall cease to be a member of the Association by reason of his divestment of ownership of such Unit, by whatever means, the Association shall not be required to account to such Unit Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Unit Owner, as all monies which any Unit Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Condominium.

6.11. Liability of Multiple Unit Owners.

The Unit Owner(s) of each Unit shall be personally liable, jointly and severally, to the Association for the payment of all assessments, regular or special, which may be levied by the Association against such Unit while such party or parties are Unit Owner(s) shall be personally liable, jointly and severally, for interest on such delinquent assessment or installment thereof as above provided, and for all late charges and costs of collecting such assessment or installment thereof and interest thereon, including a reasonable attorneys' fee, whether suit be brought or not.

6.12. Lien for Assessments.

(a) The Association is hereby granted a lien upon each Unit and its appurtenant Allocated Interest, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Unit Owner of each such Unit, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessments owing to the Association, and which lien shall also secure all late charges, fines and all costs and expenses, including reasonable attorneys' fees, which may be incurred by the Association in enforcing this lien upon said Unit and its appurtenant Allocated Interest in the Common Elements. The lien granted to the Association may be foreclosed in the same manner that real estate deeds of trust may be

foreclosed under power of sale under the laws of the State of North Carolina and in any suit for the foreclosure of said lien, the Association shall be entitled to a reasonable rental from the Unit Owner of any Unit from the date on which the payment of any assessment or installment thereof became delinquent, and shall be entitled to the appointment of a receiver for such Unit. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, lien or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the lesser of (i) the rate of eighteen percent (18%) per annum or (ii) the maximum amount permitted by applicable law on any such advances made for such purpose. All persons, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any Unit, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien rights granted to the Association, and shall acquire such interest in any Unit expressly subject to such lien rights.

(b) The lien herein granted unto the Association shall be enforceable from and after the time of recording a claim of lien in the Office of the Clerk of Superior Court of Guilford County, North Carolina, in the manner provided by Article 8 of Chapter 44 of the North Carolina General Statutes, which claim shall include the name and address of the Association, a description of the Unit encumbered thereby, the name of the record owner(s), the amount due and the date when due. The claim of lien shall be recordable any time after default and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, fees, charges, late charges, fines, costs, reasonable attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, any service fee, collection fee, consulting fee or administration fee all as above provided. Such claims of lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, it shall be satisfied of record.

The lien provided for herein shall be subordinate to: (i) any liens and encumbrances recorded before the docketing of the lien (including any mortgage or deed of trust); and (ii) liens for real estate taxes and other governmental assessments or charges against the Unit. In addition, the lien provided for herein shall be subordinate to the lien of any First Mortgage. Any person, firm or corporation acquiring title to any Unit and its appurtenant Allocated Interest in the Common Elements by virtue of any foreclosure of a First Mortgage, deed in lieu of foreclosure of a First Mortgage or judicial sale relating to a First Mortgage, shall be liable and obligated only for assessments as shall accrue and become due and payable for said Unit and its Allocated Interest in the Common Elements subsequent to the date of acquisition of such title, and it shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title. In the event of the acquisition title to a Unit by foreclosure, deed in lieu of foreclosure or judicial sale, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all Unit Owners as a part of the Common Expense, including such purchaser, its heirs, successors and assigns, although nothing herein contained shall be construed as releasing the party liable for such

delinquent assessment from the payment thereof or the enforcement of collection of such payment by means other than foreclosure.

(c) Notwithstanding anything herein to the contrary, the Association may not foreclose an association assessment lien under Article 2A of Chapter 45 of the North Carolina General Statutes if the debt secured by the lien consists solely of fines imposed by the Association, interest on unpaid fines, or attorney's fees' incurred by the Association solely associated with fines imposed by the Association. The Association may, however, enforce the lien by judicial foreclosure as provided in Article 29A of Chapter 1 of the North Carolina General Statutes.

(d) A judgment, decree, or order in any action brought under this section shall include costs and reasonable attorneys' fees for the prevailing party. If the Unit Owner does not contest the collection of debt enforcement of a lien after the expiration of the 15-day period following notice as required in subsection (e) below, then reasonable attorneys' fees shall not exceed one thousand two hundred dollars (\$1,200.00), not including costs or expenses incurred. The collection of debt and enforcement of a lien remain uncontested as long as the Unit Owner does not dispute, contest, or raise any objection, defense, offset, or counterclaim as to the amount or validity of the debt and lien asserted of the association's right to collect the debt and enforce the lien as provided in this section. The attorneys' fee limitation in this subsection shall not apply to judicial foreclosures or proceedings authorized under subsection (d) of this section of G.S. 47F-4-117.

(e) A Unit Owner may not be required to pay attorneys' fees and court costs until the Unit Owner is notified in writing of the association's intent to see payment of attorneys' fees and court costs. The notice must be sent by first-class mail to the property address and, if different, to the mailing address for the Unit Owner in the association's records. The notice shall set out the outstanding balance due as of the date of the notice and state that the Unit Owner has 15 days from the mailing of the notice by first-class mail to pay the outstanding balance without the attorneys' fees and court costs. If the Unit Owner pays the outstanding balance within this period, then the Unit Owner shall have no obligation to pay attorneys' and court costs. The notice shall inform the Unit Owner of the opportunity to contact a representative of the association to discuss a payment schedule for the outstanding balance as provided in subsection (f) below and shall provide the name and telephone number of the representative.

(f) The association, acting through its executive board in the board's sole discretion, may agree to allow payment of an outstanding balance in installments. Neither the association nor the Unit Owner is obligated to offer or accept any proposed installment schedule. Reasonable administrative fees and costs for accepting and processing installments may be added to the outstanding balance and included in an installment payment schedule. Reasonable attorneys' fees may be added to the outstanding balance and included in an installment schedule only after the Unit Owner has been given notice as required in subsection (e) above.

(g) Institution of a suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by the Association

which shall prevent it from thereafter seeking, by foreclosure action, enforcement of the collection of any sums remaining owing to it, nor shall proceeding by foreclosure to attempt such collection be deemed to be an election precluding the institution of a suit at law to collect any sum then remaining owing to Association.

(h) In any voluntary conveyance of a Unit, the purchaser thereof shall not be personally liable for any unpaid assessments owed by the seller prior to the time of such voluntary conveyance.

6.13. Statement of Assessment.

Whenever any Unit may be leased, sold or mortgaged by the Unit Owner(s) thereof, the Association, upon written request of the Unit Owner(s), shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any assessment which shall be due and payable to the Association on account of such Unit. Such statement shall be executed by any officer of the Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease, purchase or mortgage transaction, and the Association shall be bound by such statement.

In the event that a Unit is to be leased, sold or mortgaged at the time when payment of any assessment against such Unit and its Unit Owner(s) due to the Association shall be in default (whether or not a claim of lien has been recorded by the Association), then the rent, proceeds of such purchase or mortgage proceeds shall be applied by the lessee or purchaser first to payment of any then delinquent assessment or installments thereof due to the Association before the payment of any rent, proceeds of purchase or mortgage proceeds to any Unit Owner who is responsible for payment of such delinquent assessments.

6.14. Working Capital Fund.

In order to help insure that the Association will have sufficient monies available to meet unforeseen expenditures of long-term capital improvements and repairs to the Condominium, the Association has established a working capital fund. At the time of the closing of the first sale of each Unit to a purchaser other than Declarant, the purchaser thereof shall pay into such fund an amount equal to two-twelfths (2/12ths) of the current annual assessment established by the Association; provided that if, prior to first sale of a Unit, the Declarant shall have advanced to the Association such Unit's share of the working capital fund, then declarant may be reimbursed for such advance from amounts otherwise payable into the working capital fund from proceeds collected at the closing of such first sale of the Unit. No such payments made into the working capital fund shall be considered advance or current payment of regular assessments. All monies paid into the working capital fund shall be held and administered by the Association in accordance with the terms of this Declaration and the Bylaws, and, except as expressly authorized in this paragraph, no portion of the working capital fund may be used to advance or defray any of Declarant's expenses, reserve contributions, or construction costs or to make up any budget deficit occurring while Declarant is in control of the Association.

ARTICLE VII

Common Surplus

"Common Surplus," meaning all funds and other assets of the Association (including excess of receipts of the Association, including but not limited to assessments, rents, profits and revenues from whatever source) over amount of the Common Expenses, shall be owned by the Unit Owners in the same proportion that the Allocated Interest in Common Elements appurtenant to each Unit Owner's Unit bears to the total of all Allocated Interest in Common Elements appurtenant to all Units. The Common Surplus shall be held by the Association in the manner prescribed in, and subject to, the terms, provisions and conditions of this Declaration, provided, however, that the Association shall have the sole discretion as to whether any distribution of Common Surplus should be made to Unit Owners and, if so, when. Nothing in this Article shall require periodic distributions of Common Surplus. Except for distribution of any insurance indemnity herein provided, or upon termination of the Condominium, any attribution or distribution of Common Surplus which may be made from time to time shall be made to the then current Unit Owners in accordance with their Allocated Interest.

ARTICLE VIII

Management, Maintenance and Repairs

8.1. Common Elements.

(a) By the Association. The management, replacement, maintenance, repair, alteration, and improvement of the Common Elements shall be the responsibility of the Association, and, subject to the provisions of Section 8.2 hereof, the cost thereof shall be a Common Expense to the extent not paid by Unit Owners pursuant to Section 8.1(b) hereof. All damage caused to a Unit by any work on or to the Common Elements done by or for the Association shall be repaired by the Association, and the cost thereof shall be a Common Expense. Notwithstanding anything contained herein, the annual assessments levied by the Association shall be used to pay all costs for repair and/or maintenance of the Water Quality Device which will include but not be limited to the cost of repairs, replacements and additions, and the cost of labor, equipment, materials and management, and supervision as directed by the governmental office having jurisdiction for watershed protection. If the Association should be dissolved or cease to exist, then in that event, all Owners of record at the time of required maintenance shall be jointly and severally liable for any and all costs attendant thereto;

(b) By Unit Owners. Each Unit Owner shall pay all costs to repair and replace all portions of the Common Elements that may become damaged or destroyed by reason of his intentional acts or the intentional acts of any Occupant of his Unit. Such payment shall be made upon demand made by the Association.

8.2. Common Expenses Associated with Limited Common Elements or Benefitting Less Than All Units.

(a) Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Unit, or in equal

shares to the Units, to which such Limited Common Element was allocated at the time the expense was incurred.

(b) In addition, the Association may assess any Common Expense benefitting less than all of the Units against the Units benefitted in proportion to their Common Expense liability.

8.3. Units. Each Unit Owner shall maintain his Unit at all times in a good and clean condition, and repair and replace, at his expense, all portions of his Unit; shall perform his responsibilities in such manner as not to unreasonably disturb other Occupants; shall promptly report to the Board, or its agents, any defect or need for repairs the responsibility for which is that of the Association; and, to the extent that such expense is not covered by the proceeds of insurance carried by the Association, shall pay all costs to repair and replace any portion of another Unit that has become damaged or destroyed by reason of his own acts or omissions, or the acts or omissions of any Occupant of his Unit. Such payment shall be made upon demand by the Unit Owners of such other Unit. Nothing herein contained shall modify any waiver by insurance companies of rights of subrogation.

8.4. Waiver of Claims. Except only as provided in Section 8.1(a) and (b), the Association agrees that it shall make no claim against a Unit Owner or Occupant, and each Unit Owner and Occupant agrees that he shall make no claim against the Association, the members of the Board, officers of the Association, or employees or agents of any thereof, or against any manager retained by the Board, or his or its officers, directors, employees or agents, or other Unit Owners or Occupants, for any loss or damage to any of the Property, or to a Unit or personal property therein, even if caused by the omission or neglect of any one or more of such persons and all such claims are hereby waived and released; provided, that this waiver shall not apply to any such loss or damage due to intentional acts.

8.5. Right of Entry.

(a) By the Association. The Association, and any person authorized by the Association, may enter any Unit or any of the Limited Common Elements in case of any emergency or dangerous conditions or situation originating in or threatening that Unit or any of the Limited Common Elements. The Association, and any person authorized by the Association, after reasonable notice to a Unit Owner or Occupant, may enter that Unit or any of the Limited Common Elements for the purposes of performing any of the Association's powers under the Act, this Declaration or the Bylaws with respect to that or any other Unit, any Limited Common Elements, or the Common Elements. Notwithstanding Section 8.4, the Association shall be responsible for the repair of any damage caused by the Association or its authorized person to the entered Unit, and the cost thereof shall be a Common Expense. All such entries shall be made and done so as to cause as little inconvenience as possible to the Unit Owner and Occupant of the entered Unit or any portion of the Limited Common Elements allocated to the Unit Owner.

(b) By Unit Owners. Each Unit Owner and Occupant shall allow other Unit Owners and Occupants, and their representatives, to enter his Unit, or Limited Common

Elements allocated to his Unit, when reasonably necessary for the purpose of altering, maintaining, repairing or replacing the Unit, or performing the duties and obligations under the Act, this Declaration or the Bylaws, of the Unit Owner or Occupant making such entry, provided that requests for entry are made in advance and that such entry is at a time convenient to the Unit Owner or Occupant whose Unit or Limited Common Element is to be entered. In case of an emergency or dangerous condition or situation, such right of entry shall be immediate. Notwithstanding Section 8.4, the person making such entry shall be responsible for repair of any damage caused by such person to the entered Unit or Limited Common Element.

ARTICLE IX

Insurance

9.1. Casualty Insurance. The Association shall maintain, to the extent available, casualty insurance upon the Property in the name of, and the proceeds thereof shall be payable to, the Association, as trustee for all Unit Owners and First Mortgagees as their interests may appear, and be disbursed pursuant to the Act. Such insurance shall be in an amount equal to not less than one hundred percent (100%) full insurable value of the Property on a replacement cost basis exclusive of land, excavations, foundations and other items normally excluded from property policies, and shall insure against such risks and contain such provisions as the Board from time to time shall determine, but at a minimum shall conform in all respects to the requirements of the Act, and shall provide that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to Section 47C-3-113(h) of the Act. In addition, if any fixtures, property or equipment used or kept in a Unit are financed by the proceeds of any First Mortgage on such Unit, then the Association, at its option, may obtain insurance coverage for such fixtures, property or equipment.

9.2. Public Liability Insurance. The Association shall maintain public liability insurance for the benefit of the Unit Owners, Occupants, the Association, the Board, the managing agent, if any, the Declarant, and their respective officers, directors, agents and employees, in such amounts and with such coverage as shall be determined by the Board; provided that the public liability insurance shall be for at least One Million Dollars (\$1,000,000) per occurrence for death, bodily injury and property damage. Said insurance shall comply in all respects to the requirements of the Act and shall contain a severability-of-interest endorsement precluding the insurer from denying liability because of negligent acts of any insured; insure all of such benefitted parties against such liability arising out of or in connection with the use, ownership or maintenance of the Common Elements, and the streets, sidewalks and public spaces adjoining the Condominium; and insure the Association, the Board, the manager, if any, and their respective officers, directors, agents and employees against such liability arising out of or in connection with the use or maintenance of the Units.

9.3. Fidelity Coverage. If available at reasonable cost, fidelity coverage shall be maintained by the Association in commercial blanket form covering each director and officer of the Association, any employee or agent of the Association and any other person handling or responsible for handling funds of the Association in the face amount of at least the greater of (i) one and one-half (1-1/2) times the estimated annual operating expenses and reserves of the

Association, or (ii) the sum of three months' aggregate assessments on all Units plus the Association's reserve funds. Such bonds shall contain an appropriate endorsement to cover persons who serve without compensation. The premium on such bonds shall be a Common Expense.

9.4. Insurance Unavailable. If the insurance described in Section 9.1, 9.2 or 9.3 is not reasonably available, the Association shall promptly cause notice of such fact to be hand-delivered or sent prepaid by United States mail to all Unit Owners.

9.5. Other Insurance. The Association may procure such other insurance, including worker's compensation insurance, as it may from time to time deem appropriate to protect the Association or the Unit Owners. If at least one Unit is subject to mortgage financing, the Association shall obtain and keep in force such insurance as such mortgagee shall reasonably require from time to time.

9.6. Insurance Trustee. The Board may engage, and pay as a Common Expense, any appropriate person to act as an insurance trustee to receive and disburse insurance proceeds upon such terms as the Board shall determine, consistent with the provisions of the Act and this Declaration.

9.7. Individual Policy for Unit Owners. Each Unit Owner may obtain insurance, at his own expense, affording personal property, additional living expense, condominium assessment, personal liability, and any other coverage obtainable, to the extent and in the amounts such Unit Owner deems necessary to protect his own interests; provided that any such insurance shall contain waivers and shall provide that it is without contribution as against the insurance purchased by the Association. If a casualty loss is sustained and there is a reduction in the amount of the proceeds that would otherwise be payable on the insurance purchased by the Association due to the proration of insurance purchased by a Unit Owner under this Section, such Unit Owner shall be liable to the Association to the extent of such reduction and shall pay the amount of such reduction to the Association upon demand, and assigns the proceeds of his insurance, to the extent of such reduction, to the Association.

ARTICLE X

Casualty Damage

10.1 Insurance Proceeds held by the Association. All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Association. The Association shall hold such proceeds in trust for the benefit of the Association, the Owners and their respective mortgagees in the following shares:

- (a) Proceeds on account of damage to Common Elements: in undivided shares for each Owner and his mortgagee, if any, which shares as to each Unit are shown on Exhibit "B" attached hereto, or as may be amended from time to time.

(b) Proceeds on account of damages to Units shall be held in the following undivided shares:

(i) Partial destruction when the Condominium is to be restored: for the Unit Owners of damaged Units in proportion to the costs of repairing the damage suffered by each damaged Unit; or

(ii) Total destruction of the Condominium or where the Condominium is not to be restored: for all Unit Owners, the share of each being set forth in Exhibit "B," as amended from time to time.

In the event a mortgagee endorsement has been issued as to a Unit, the share of the Unit Owner shall be held for the mortgagee and the Unit Owner as their interests may appear, but nothing herein shall be construed so as to give any mortgagee the right to participate in the determination of reconstruction or repair.

10.2 Distribution of Insurance Proceeds. Proceeds of insurance policies received by the Association for damages to Units shall be distributed to or for the benefit of the beneficial Unit Owners in the following manner:

(a) If the damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Unit Owners of the damaged Units, in proportion to each Unit's share of Allocated Interests in the Common Elements, all remittances to Unit Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by it.

(b) If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial Owners of the damaged Units, in proportion to each Unit's share of Allocated Interests in the Common Elements, remittances to Owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by it.

ARTICLE XI

Reconstruction or Repair of Casualty Damage

11.1 Conditions Preventing Reconstruction. If any part of the Condominium shall be damaged by casualty, the damaged area shall be reconstructed or repaired unless:

(a) The Condominium is terminated as provided in Article XVI hereof; or

(b) Repair or replacement would violate any state or local health or safety statute or ordinance; or

(c) The Owners, by a vote of Owners owning at least eighty percent (80%) of the Allocated Interests (including one hundred percent (100%) of the Owners of Units

which shall not be rebuilt or whose Limited Common Elements shall not be restored) determine not to rebuild or restore all or any portion of the damaged area; or

(d) First Mortgagees (as defined in Article I of this Declaration) representing at least fifty-one percent (51%) of the Allocated Interests subject to mortgages held by Institutional Lenders, determine not to rebuild or restore all or any portion of the damaged area.

11.2 Reconstruction in Accordance with Plans. Any reconstruction or repair shall be performed substantially in accordance with the plans and specifications for the Condominium contained herein and which are on file in the Guilford County Registry.

11.3 Unit Owner's Repair Responsibilities. If the damage is only to those parts of one or more Units for which the responsibility for maintenance and repair is that of the Unit Owner, then the Unit Owner shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association.

11.4 Association to Obtain Cost Estimates. Immediately after the casualty causing damage to property for which the Association has the responsibility for maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to place the damaged property in condition as good as that before the casualty. Such costs may include professional fees and premiums for such bonds as the Executive Board deems necessary or appropriate.

11.5 Application of Proceeds. When the damage is to both Common Elements and Units or to Common Elements only, the insurance proceeds shall be payable to the Association and shall be applied first to the cost of repairing the Common Elements and the balance to the cost of repairing the Units.

11.6 Repair of Less than Entire Damaged Area. In the event less than all of the damaged area is to be repaired or restored, the insurance proceeds shall be utilized and/or distributed as follows:

(a) Proceeds attributable to damaged Common Elements shall be used to restore such Common Elements to a condition compatible with the remainder of the Condominium;

(b) Proceeds attributable to Units and to Limited Common Elements which are not rebuilt or restored shall be distributed to the Unit Owners of Units which are not rebuilt or restored and to the Unit Owners of Units appurtenant to the damaged Limited Common Elements, in proportion to the damage to such Unit and/or Limited Common Elements and to the mortgagees of all such Units, as their interests may appear; and

(c) Any remaining proceeds shall be distributed among all Unit Owners and mortgagees, as their interests may appear, in proportion to the Allocated Interests of each Unit.

11.7 Board Delegated Right to Adjust. Each Unit Owner shall be deemed to have delegated to the Executive Board of the Association his right to adjust with insurance companies all losses under policies purchased by the Association.

11.8 Payment of Proceeds to Unit Owners and Mortgagees. All remittances to Unit Owners and their mortgagees shall be payable jointly to them.

11.9 Reallocation of Allocated Interests. In the event that Owners vote not to rebuild a damaged Unit, that Unit's Allocated Interests shall be automatically reallocated among the remaining Units at the time of such vote. The Association shall prepare, execute and record an amendment to the Declaration reflecting such reallocation.

ARTICLE XII

Condemnation of Common Elements or Units

12.1 Condemnation of a Unit. In the event a Unit or a portion thereof is acquired by eminent domain, the condemnation award therefor shall be paid to the Unit Owner. In such an event, if the condemning authority does not acquire the Unit's share of Allocated Interests in the Common Elements, that Unit's Allocated Interests are automatically reallocated as provided in N.C. Gen. Stat. Section 47C-1-107. The Association shall prepare, execute and record an amendment to the Declaration reflecting such reallocation. Any portion of a Unit remaining after condemnation which may not practically or lawfully be used for residential purposes shall thereafter be a part of the Common Elements.

12.2 Condemnation of Common Elements.

(a) In the event a portion of the Common Elements is acquired by eminent domain, any portion of the condemnation award attributable to the taking of Limited Common Elements shall be paid to the Association as trustee for Unit Owners, and the Association shall apportion the award among the Unit Owners of Units to which such Limited Common Elements were allocated at the time of the taking, in shares of equal value, or in such other proportion as the Association, in its sole discretion, shall determine.

(b) In the event a portion of the Common Elements is acquired by eminent domain, any portion of the condemnation award not payable to Unit Owners under Section 12.2(a) of this Article shall be paid to the Association.

ARTICLE XIII

Association to Maintain Register of Owners and Mortgagees

The Association shall at all times maintain a register setting forth the names of the Unit Owners of all of the Units. In the event of a sale or transfer of any Unit to a third party, the purchaser or transferee shall notify the Association in writing of his interest in such Unit, together with such recording information as shall be pertinent to identify the instrument by which such purchaser or transferee has acquired his interest in any Unit. Further, the Unit Owner of

each Unit shall notify the Association of the names of the parties holding any mortgage on his Unit, the amount of such mortgages and the recording information shall be pertinent to identify the mortgages. The holder of any mortgage upon any Unit may, if it so desires, notify the Association of the existence of the mortgage held by such party and, upon receipt of such notice, the Association shall register in its records all pertinent information relating thereto.

ARTICLE XIV

Amendment

14.1 Manners of Amending Declarations. This Declaration may be amended in the following manner:

(a) An Amendment to this Declaration may be proposed by the Board of the Association acting upon a vote of a majority of its Board Members, or by Owners of Units to which at least fifty percent (50%) of the votes in the Association are allocated, whether meeting as members or by instrument in writing signed by them. Upon any amendment to this Declaration being proposed by the Board or Unit Owners, the proposed amendment shall be transmitted to the President of the Association, or other officers of the Association in the absence of the President, who shall thereupon call a special meeting of the members of the Association for a date not sooner than twenty (20) days not later than sixty (60) days from receipt by him of the proposed amendment. It shall be the duty of the Secretary to give to each member written or printed notice of such special meeting, stating the time and place thereof, and reciting the proposed amendment in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than fifty (50) days before the date set for such special meeting. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at his address as it appears on the records of the Association, first class postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of notice to such member. At the meeting, the proposed Amendment must be approved by an affirmative vote of the members owning Units in the Condominium in order for such Amendment to become effective. Except as required by N.C. Gen. State. Section 47C-2-117(d) or as specifically provided elsewhere in this Declaration, an affirmative vote of Unit Owners to which at least seventy-five percent (75%) of the votes in the Association are allocated shall be required. Upon adoption, such amendment of this Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted. The original or an executed copy of such amendment, so certified and executed with the same formalities as a deed, shall be recorded in the Public Records of Guilford County, North Carolina. Such amendment shall specifically refer to the recording data identifying the Declaration and shall become effective upon recordation. Thereafter, a copy of said amendment in the form in which the same was placed of record by the officers of the Association shall be delivered to the Unit Owners of all Units, but delivery of a copy thereof shall not be a condition precedent to the effectiveness of such amendment. At any meeting held to consider such amendment, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association prior to such meeting or at such meeting.

(b) Declarant shall have the right to amend this Declaration pursuant to Article III of this Declaration, without the consent or joinder of any Unit Owners or their mortgagees.

(c) The Association shall have the right to amend this Declaration pursuant to the provisions of N.C. Gen. Stat. Section 47C-1-107, and Article XII of this Declaration, without the consent of any Unit Owners or their mortgagees.

(d) Certain Unit Owners, acting in conjunction with the Association, shall have the right to amend this Declaration as set forth in N.C. Gen. Stat. Sections 47C-2-108(b), -2-112(a), and -2-113(b) without the consent of any other Unit Owners or their mortgagees not parties to the amendment.

14.2 Limitations and Amendments. Except to the extent expressly permitted or required by this Declaration, consistent with the North Carolina Condominium Act, no amendment to this Declaration may create or increase additional Development Rights or Declarant's Rights, increase the number of Units allowed hereunder, or change the boundaries of any Unit, the allocated interest of a Unit, or the uses to which any Unit is restricted, without the unanimous consent of the Unit Owners of all Units and the First Mortgagee, as hereinafter defined. Amendments to this Declaration, the Articles of Incorporation of the Association or the Bylaws of the Association relating to the maintenance and ownership of the permanent Water Quality Device shall not be permitted without review and approval by the governmental office having jurisdiction for watershed protection.

14.3 First Mortgagee Consent Required. No material alteration, amendment or modification of this Declaration, the Articles of Incorporation or Bylaws of the Association shall become effective without the prior written consent of First Mortgagee holding First Mortgages on Units to which at least fifty-one percent (51%) of the votes in the Association have been assigned. For the purposes of this paragraph, any amendment to the following provisions of this Declaration, the Articles of Incorporation or bylaws shall be deemed material; voting rights; increases in assessments which increase the previously assessed amount by more than twenty-five percent (25%); assessment liens; the priority of assessment liens; reductions in reserves for maintenance; repair and replacement of the Common Elements; responsibility for maintenance and repairs; reallocation of the Allocated Interests in the Common Elements or Limited Common Elements or the rights to their use; redefinition of any Unit boundaries; convertibility of Units into Common Elements or vice versa; expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium; hazard or fidelity insurance requirements; imposition of additional restrictions on the leasing of Units; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit; a decision by the Association to establish self-management; restoration or repair of the Condominium in a manner other than that now specified in the Declaration, Articles of Incorporation or Bylaws; or revisions to provisions which expressly benefit mortgage holders, insurers or guarantors. Provided, however, that nothing in this paragraph shall be construed to require the consent of a First Mortgagee as to amendments allowed under Article III of this Declaration. Provided further, than a First Mortgagee shall be deemed to have approved any material amendment if it fails to respond to a written notice of amendment within sixty (60) days following its receipt of such notice, which notice was sent by certified or registered mail, "return receipt" requested.

14.4 No Amendment of Declarant's Right without Consent. No alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of Declarant shall be made without the written consent of Declarant being first had and obtained.

ARTICLE XV

Remedies in Event of Default

15.1 Remedies of any Unit Owner or the Association. Each Unit Owner and the Association shall be governed by and shall comply with the provisions of this Declaration, and the Articles of Incorporation and Bylaws of the Association, as any of the same are now constituted or as they may be amended from time to time. A default by the Association or a default by the Unit Owner shall entitle the Association or the Unit Owner, as appropriate, to the following relief:

(a) Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the Articles of Incorporation by Bylaws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Such relief may be sought by the Association or, if appropriate, by an aggrieved Unit Owner.

(b) As provided herein and in the Bylaws, each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of a Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation.

(c) The Bylaws of the Association provide that the Association may fine a Unit Owner in an amount not to exceed One Hundred Dollars (\$100.00) for each violation of this Declaration, the Bylaws or the Rules and Regulations of the Association, or may assess liability in an amount not to exceed Five Hundred Dollars (\$500.00) for damage to Common Elements caused by a Unit Owner, which damage is not covered by the Association's insurance. As set forth in the Bylaws, a hearing for an accused Unit Owner must be held before the Board or an adjudicatory panel appointed by the Board, which panel shall accord to the party charged with the violation: (i) notice of the charge and proposed fine; (ii) opportunity to be heard and to present evidence; and (iii) a notice of the decision. Any such fine or liability assessment shall be both the personal obligation of the Unit Owner against whom the fine is assessed and a lien upon the Unit of such owner and its appurtenant Allocated Interest, to the same extent as the assessments described in Article VI hereof.

(d) If damage is inflicted on any Unit by an agent of the Association acting within the scope of his activities as such agent, the Association shall be liable to repair such damage or to reimburse the Unit Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner.

(e) In any proceeding arising because of an alleged default by a Unit Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court.

(f) The failure of the Association or any Unit Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration or the other above mentioned documents shall not constitute a waiver of the right of the Association or of the Unit Owner to enforce such right, provision, covenant or condition in the future.

(g) All rights, remedies and privileges granted to the Association or the Unit Owner, pursuant to any terms, provisions, covenants or conditions of this Declaration or other above mentioned documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be available to such party at law or in equity.

(h) The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration or other above mentioned documents shall not constitute a waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

(i) The failure of a First Mortgagee, as said term is herein defined, to enforce any right, provision, privilege, covenant or condition which may be granted to it by this Declaration or other above-mentioned documents, shall not constitute a waiver of the right of said party or parties to thereafter enforce such rights, privileges, covenant or condition in the future.

ARTICLE XVI

Termination

16.1. Means of Termination. The Condominium shall be terminated, if at all, in the following manner:

(a) Except in the case of a taking of all of the Units by eminent domain, and except as otherwise provided in subparagraph B below, the termination of the Condominium may be effected only by a termination agreement executed in the same manner as a deed to which have consented the Unit Owners to which at least eighty percent (80%) of the Allocated Interest in the Common Elements are allocated; provided that First Mortgagees which represent at least sixty-seven percent (67%) of the Units then subject to First Mortgages, who have requested notification in the manner prescribed in Article XVII hereof, consent thereunto or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the Allocated Interest of the Unit Owner in the Condominium as provided below; and provided further that, so long as a Declarant retains the right to designate and select a majority of the persons who shall serve as members of the Board of the Association, Declarant consents thereto in writing by instrument duly recorded. The termination agreement shall become effective when it has been recorded in the public records of Guilford County, North Carolina, and shall specify a date after which it will be void unless then recorded.

(b) Following the taking by eminent domain or destruction by casualty of substantially all the Units, the termination of the Condominium may be effected only by a termination agreement executed in the same manner as a deed to which have consented the Unit Owners to which at least sixty-seven percent (67%) of the Allocated Interest in the Common Elements are allocated; provided that First Mortgagees holding first mortgage loans on Units which represent at least fifty-one percent (51%) of the Units then subject to mortgages held by First Mortgagees, who have requested notification in the manner prescribed in Section A of Article XVII hereof, consent thereunto or agree, in either case by instrument duly recorded, that their liens be transferred to the percentage of the Allocated Interest of the Unit Owner in the Condominium as provided below; and provided further that, so long as Declarant retains the right to designate and select a majority of the persons who shall serve as member of the Board of the Association, Declarant consents thereto in writing by instrument duly recorded. The termination agreement shall become effective when it has been recorded in the public records of Guilford County, North Carolina, and shall specify a date after which it will be void unless then recorded.

16.2. Sale Following Termination. Following termination of the Condominium, the Association, on behalf of the Unit Owners, may contract for the sale of real estate in the Condominium, but such contract shall not be binding on the Unit Owners until approved by unanimous agreement of all Unit Owners and the termination agreement described in Section 16.1 above reflects such approval and is recorded as required. For purposes of any such sale following termination, title to that real estate, upon approval of sale, shall be deemed vested in the Association as Trustee for those holding an interest in the Units and the Common Elements. Thereafter, the Association shall have all powers necessary and appropriate to effect the sale. Until the same has been concluded and the proceeds thereof distributed, the Association shall continue in existence with all powers vested in the Association before the termination. Proceeds of the sale must be distributed to the Unit Owners and lienholders, as their interests may appear, in proportion to the respective interests in the Common Elements of the Unit Owners and their mortgagees as set forth in this Article. All remittances to Unit Owners and lienholders shall be payable jointly to them. Unless otherwise specified in the termination agreement, as long as the Association is deemed to hold title to the real estate, each Unit Owner and his successors in interest shall have an exclusive right to occupancy of the portion of the real estate that formerly constituted his Unit. During the period of that occupancy, each Unit Owner and his successors in interest shall remain liable for all assessments and other obligations imposed on Unit Owners by law and under this Declaration.

16.3. Termination Not Followed by Sale. In the event the real estate constituting the Condominium is not to be sold following termination, title to the Common Elements and to all real estate in the Condominium shall vest in the Unit Owners as tenants in common in proportion to each Unit's Allocated Interest, and all liens on such Units shall shift accordingly. While such tenancy in common exists, each Unit Owner and his successors in interest shall have an exclusive right to occupancy of the property that formerly constituted his Unit.

16.4. Ownership Interests. The respective ownership interests of Unit Owners described in this Article XXVI are as follows:

(a) Except as provided below, the respective interest of a Unit Owner is the fair market value of such Unit Owner's Unit, Limited Common Elements and such Unit's

Allocated Interest in the Common Elements immediately before the termination, as determined by one or more independent appraisers selected by the Association. The appraisals shall be distributed to the Unit Owners and shall become final unless disapproved within thirty (30) days after distribution by Unit Owners to which twenty-five percent (25%) of the votes in the Association are allocated. The proportion of any Unit Owner's interest to that of all Unit Owners is determined by dividing the fair market value of that Unit Owner's Unit's Allocated Interest in the Common Elements by the total fair market values of all the Units and Common Elements.

(b) If any Unit or any Limited Common Elements is destroyed to the extent that an appraisal of the fair market value thereof prior to destruction cannot be made, the interest of each Unit Owner shall be Allocated Interest appurtenant to his Unit immediately before termination.

ARTICLE XVII

Rights Reserved Unto First Mortgagees

17.1. Rights of a First Mortgagee. "First Mortgagee" or "First Mortgagees," as the terms are used herein, shall mean and refer to banks, savings and loan associations, insurance companies, other firms or entities customarily affording loans secured by liens on residences, the Federal National Mortgage Association, the Federal Home loan Mortgage Corporation and eligible insurers and governmental guarantors. In addition to any other rights set forth in this Declaration, so long as any First Mortgagee shall hold any mortgage upon any Unit, or shall be the owner of any Unit, such First Mortgagee shall have the following rights:

(a) To approve the company or companies with whom casualty insurance is placed and to be given timely written notice as to any lapse, cancellation or material modification of any insurance policy maintained by the Association.

(b) To examine, at reasonable times and upon reasonable notice, the books and records of the Association and the annual financial statement and report of the Association, prepared by an independent accountant designated by the Association, such financial statement and report to be available within one hundred twenty (120) days following the end of the Association's previous fiscal year.

(c) To be given timely written notice by the Association of the call of any meeting of the membership to be held for the purpose of considering (1) any material alteration, amendment or modification of this Declaration, the Articles of Incorporation or the Bylaws, as defined in Section 14.3 of this Declaration, including Amendment by Declarant to exercise any right under Article III; or (2) the proposed termination or abandonment of the Condominium. Such notice shall state the nature of the amendment or action being proposed.

(d) To be given timely written notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Unit encumbered by a mortgage held by such First Mortgagee.

(e) To be given timely written notice of any condemnation or casualty loss which affects either a material portion of the Condominium or the Unit securing its mortgage.

(f) So long as Declarant retains the right to appoint a majority of the members of the Executive Board of the Association as set forth in Article XVIII below, the following actions will, if any loan obtained through the Department of Veterans Affairs is then outstanding and secured by a Unit, require the prior approval of the Department of Veterans Affairs; amendment of the Articles of Incorporation or of this Declaration (excluding amendments by Declarant to exercise any of the Development Rights reserved under Article III hereof); annexation of properties not described in this Declaration; dedication of any Common Elements; merger or consolidation of the Association or of the Condominium; encumbrance of any of the Common Elements; and dissolution of the Association.

17.2. Registration by First Mortgagee. Whenever any First Mortgagee desires the provisions of this Article, Article XV or Article XVI to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to Landon Creek Condominium Owners Association, Inc., c/o 500 Spring Garden Street, Greensboro, North Carolina 27401, identifying the Unit or Units upon which such First Mortgagee, or identifying any Units owned by it, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such First Mortgagee.

ARTICLE XVIII

Right of Declarant to Designate Members of Executive Board of the Association

18.1. Right to Designate Members of the Board. Pursuant to the provisions of N.C. Gen. Stat. Section 47C-3-103(d), Declarant shall be entitled to designate and select a majority of the persons who shall serve as Members of the Board of the Association until the first to occur of: (i) one hundred twenty (120) days after Declarant conveys seventy-five percent (75%) of the Units in the Condominium (including Units which may be created pursuant to the Development Rights reserved in Article III of this Declaration); (ii) two (2) years after Declarant has ceased to offer Units for sale in the ordinary course of business; (iii) two (2) years after Declarant's last exercise of its right under Article III of this Declaration to add additional Units to the Condominium; or (iv) seven (7) years after the date of the sale of the first Unit in the Condominium.

18.2. Number of Board Members Appointed by Declarant. Not later than sixty (60) days after conveyance of 25% of the Units, including Units which may be created under Article III to Unit Owners other than the Declarant, at least one member and not less than 25% of the members of the Board shall be elected by owners other than the Declarant. Not less than 60 days after conveyance of 50% of the Units including Units that may be created under Article III to Unit Owners other than the Declarant, not less than 33% of the members of the Board shall be elected by Unit Owners other than the Declarant.

18.3. Means of Designation and Right to Remove. Whenever Declarant shall be entitled to designate and select any person to serve on any Board, the manner in which such person shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person selected by it to act and serve on said Board and to replace such person with another person to act and serve in the place of any Director so removed for the remainder of the unexpired term of any Board Member so removed. Any Board Member designated and selected by Declarant need not be an Owner or a resident of the Condominium.

ARTICLE XIX

General Provisions

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

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

19.3. Captions. The captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

19.4. Exhibits. Exhibits A, A-1, B, C, D, E and F attached hereto are hereby made a part hereof.

19.5. Maintenance of Water Quality Device. The Association is responsible for maintaining the completed Water Quality Device as directed by the governmental office having jurisdiction for watershed protection. If the Association should be dissolved or should cease to exist, then in that event, all Owners of record at the time of required maintenance shall be jointly and severally liable for any and all costs attendant thereto.

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