



Doc ID: 004477810042 Type: CRP
Recorded: 05/16/2006 at 11:25:49 AM
Fee Amt: \$137.00 Page 1 of 42
Alamance, NC
DAVID J.F. BARBER REGISTER OF DEEDS

BK 2411 PG 333-374

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
AUTUMN TRACE**

Unofficial

Prepared by and return to: Charles E. Melvin, Jr., SMITH MOORE LLP
PO Box 21927, Greensboro, NC 27420

Greensboro 733446.5

47/187

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS..... 2
Section 1.	"Additional Property" 2
Section 2.	"Appropriate Local Governmental Authority" 2
Section 3.	"Association" 2
Section 4.	"Common Elements" or "Common Area" 2
Section 5.	"Declarant" 3
Section 6.	"Declarant's Development Period" 3
Section 7.	"Lot" 3
Section 8.	"Master Plan" 4
Section 9.	"Member" 4
Section 10.	"Owner" 4
Section 11.	"Period of Declarant Control" 4
Section 12.	"Planned Community Act" 4
Section 13.	"Properties" 4
Section 14.	"Townhome Common Elements" 4
ARTICLE II	PROPERTY RIGHTS..... 5
Section 1.	RECREATIONAL AMENITIES WHICH MAY BE LOCATED IN THE COMMON ELEMENTS 5
Section 2.	RULES AND REGULATIONS 5
Section 3.	OWNERS EASEMENTS OF ENJOYMENT OF COMMON ELEMENTS..... 6
Section 4.	TOWNHOME MEMBERS EASEMENTS OF ENJOYMENT..... 7
Section 5.	DELEGATION OF USE 9
Section 6.	LEASES OF LOTS..... 9
ARTICLE III	MEMBERSHIP AND VOTING RIGHTS 9
Section 1.	MEMBERSHIP..... 9
Section 2.	CLASSES OF MEMBERSHIP 9
Section 3.	DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION AND COMPOSITION AFTER PERIOD OF DECLARANT CONTROL..... 10
ARTICLE IV	COVENANT FOR MAINTENANCE AND ASSESSMENTS 11
Section 1.	CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS..... 11
Section 2.	PURPOSE OF ASSESSMENTS 11
Section 3.	ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS; MAXIMUM ANNUAL ASSESSMENT..... 12
Section 4.	SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS..... 14
Section 5.	NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4..... 14
Section 6.	RATE OF ANNUAL ASSESSMENT..... 15

TABLE OF CONTENTS
(continued)

	Page
Section 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES.....	15
Section 8. WORKING CAPITAL ASSESSMENTS.....	15
Section 9. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION.....	15
Section 10. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION.....	16
Section 11. SUBORDINATION OF THE LIEN FOR ASSESSMENTS TO THE LIEN OF FIRST MORTGAGES.....	16
Section 12. EXEMPT PROPERTY.....	16
Section 13. PROFESSIONAL MANAGEMENT COMPANY.....	16
ARTICLE V ARCHITECTURAL CONTROL.....	17
Section 1. IMPROVEMENTS.....	17
Section 2. PROCEDURES.....	18
ARTICLE VI EXTERIOR MAINTENANCE.....	19
Section 1. MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION.....	19
Section 2. EXTERIOR MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION FOR TOWNHOME LOTS.....	19
Section 3. EXTERIOR MAINTENANCE TO BE PERFORMED BY TOWNHOME MEMBERS.....	19
Section 4. MAINTENANCE TO BE PERFORMED BY SINGLE FAMILY MEMBERS.....	20
ARTICLE VII RESTRICTIONS.....	20
Section 1. LAND USE.....	20
Section 2. DWELLING SPECIFICATIONS.....	21
Section 3. NUISANCE.....	21
Section 4. MOTOR VEHICLES.....	21
Section 5. ANIMALS.....	22
Section 6. OUTSIDE ANTENNAS.....	22
Section 7. SUBDIVISION OF LOTS.....	22
Section 8. SIGNS.....	22
Section 9. MOBILE HOMES, MANUFACTURED HOMES, ETC.....	22
Section 10. FENCES OR WALLS.....	23
ARTICLE VIII EASEMENTS.....	23
Section 1. UTILITIES.....	23
Section 2. SIGNS.....	23
Section 3. EASEMENT RESERVED BY DECLARANT.....	24
Section 4. ENCROACHMENTS.....	24

TABLE OF CONTENTS
(continued)

		Page
ARTICLE IX	PARTY WALLS.....	24
Section 1.	GENERAL RULES OF LAW TO APPLY	24
Section 2.	REPAIR AND MAINTENANCE	24
Section 3.	DESTRUCTION BY FIRE OR OTHER CASUALTY	24
Section 4.	WEATHERPROOFING.....	25
Section 5.	RIGHT TO CONTRIBUTION RUNS WITH LAND.....	25
Section 6.	ARBITRATION	25
ARTICLE X	RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS.....	25
Section 1.	ENTITIES CONSTITUTING INSTITUTIONAL LENDERS	25
Section 2.	OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS.....	25
Section 3.	REQUIREMENTS OF INSTITUTIONAL LENDER	26
ARTICLE XI	GENERAL PROVISIONS	26
Section 1.	ENFORCEMENT	26
Section 2.	SEVERABILITY	28
Section 3.	AMENDMENT.....	28
Section 4.	ANNEXATION	28
Section 5.	AMPLIFICATION	29

Unofficial

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
AUTUMN TRACE**

THIS DECLARATION is made on the date hereinafter set forth by PIERCE HOMES OF CAROLINA, INC., a North Carolina corporation having an office in Guilford County, North Carolina, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the County of Alamance, State of North Carolina, which is more particularly described as follows:

ALL of the land shown on the plat entitled "Phase 1, Section 1, Autumn Trace" recorded in Plat Book 70, Page 435, in the Office of the Register of Deeds of Alamance County, North Carolina.

WHEREAS, it is the intent of the Declarant to develop Autumn Trace as a residential community consisting of single family detached residences and townhomes, which may consist of two separate townhome communities, and hereby to cause the above-described property and future phases of Autumn Trace to be subjected to this Declaration of Covenants, Conditions and Restrictions. Declarant feels that the single family detached residences and townhomes planned by Declarant to be constructed in Autumn Trace can better be governed and managed as a cohesive residential community by being subjected to this single Declaration of Covenants, Conditions and Restrictions providing for one association of homeowners, but with separate and distinct budgets for the different residential areas, and for separate architectural control committees for each of the different housing styles and, accordingly, it is the intent of Declarant that this Declaration of Covenants, Conditions and Restrictions be interpreted and applied consistently with this concept.

Tract 1 shown on the above-referenced Plat is owned by Declarant but shall not be subjected to the Declaration and shall not be developed as a part of Autumn Trace.

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. It is the intent of Declarant that the provisions of this Declaration in all respects conform and comply to the requirements set forth in the North Carolina Planned Community Act. To the extent any provision contained herein does not conform or comply with the North Carolina Planned Community Act, the provisions of the Act shall control.

*Prepared by and return to: Charles E. Melvin, Jr., SMITH MOORE LLP
PO Box 21927, Greensboro, NC 27420*

ARTICLE I
DEFINITIONS

SECTION 1. "Additional Property" shall mean and refer to the property described in Schedule "A," attached hereto and incorporated herein by this reference, together with any other property located adjacent to the Properties. For the purpose of determining whether property is adjacent to the Properties, the rights of way of public roads and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property.

SECTION 2. "Appropriate Local Governmental Authority" shall mean and refer to Alamance County or other appropriate local governmental authority having jurisdiction over the Properties.

SECTION 3. "Association" shall mean and refer to Autumn Trace Homeowners Association, Inc., its successors and assigns.

SECTION 4. "Common Elements" or "Common Area" shall mean all real property owned by the Association (whether owned in fee or by way of license or easement) or leased by the Association, other than a Lot. The Common Elements to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

All of the land designated "Common Elements" as shown on the plat entitled "Phase 1, Section 1, Autumn Trace" and recorded in Plat Book 70, Page 435 in the Office of the Register of Deeds, Alamance County, North Carolina.

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed to the Association from time to time and without the consent of the Association or its Members, additional property to the Association, which property may include any portion of the Properties, including any Additional Property annexed by Declarant pursuant to Article XI, Section 4 hereof. The Association shall accept any such conveyance of property and thereafter such property shall be held and maintained by the Association as Common Elements. Declarant may construct or cause to be constructed **(BUT SHALL NOT BE OBLIGATED TO CONSTRUCT)** walkways, a playground and related facilities on any such Common Elements. Other improvements, which may include, but shall not be limited to roadways, may be located on any such Common Elements. Declarant does not contemplate the construction of any other recreational improvements or amenities within the Common Elements. Except as otherwise provided in Section 47F-3-113 of the Planned Community Act, the Association shall be required to promptly repair and replace any portion of the Common Elements for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association which is damaged or destroyed. All Common Elements shall be conveyed to the Association in their "as is" condition without any express or implied warranty. **DECLARANT HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE COMMON ELEMENTS.**

The Association also may acquire additional Common Elements with the consent of the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during Declarant's Development Period no such action shall be effective without Declarant's consent and approval. For such a conveyance to be effective, the deed or instrument conveying to the Association additional Common Elements must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the instrument on behalf of the Association that the requisite owner and Declarant approval has been obtained and is evidenced by written acknowledgments signed by the owners approving the amendment and if required, Declarant, and that such acknowledgments are made a part of the minute book of the Association; and (3) be properly recorded in the Alamance County Registry.

SECTION 5. "Declarant" shall mean and refer to Pierce Homes of Carolina, Inc., as well as its successors and assigns, pursuant to an express assignment or conveyance of any declarant rights hereunder to such successor or assign, all of which rights, including Declarant's voting, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

SECTION 6. "Declarant's Development Period" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina, and continuing for so long as Declarant shall have the right to annex any portion of the Additional Property pursuant to the provisions of Article XI, Section 4 hereof or Declarant or any affiliate of Declarant shall own any portion of the Properties.

SECTION 7. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision plat of the Properties intended for single family detached residential purposes or townhome residential purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively. Lots which contain or which are intended for use as a single family detached residence are sometimes hereinafter referred to as "Single Family Lots" and Lots which contain or which are intended for use as a townhome are sometimes hereinafter referred to as "Townhome Lots." There shall be two (2) classes of Townhome Lots, "Townhome Style One Lots" and "Townhome Style Two Lots." Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional Common Elements; provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by the Appropriate Local Governmental Authority, nor shall any Lot within the Properties contain fewer square feet than the minimum number of square feet from time to time required by the Appropriate Local Governmental Authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

SECTION 8. "Master Plan" shall mean and refer to the plan(s) for the Properties and the Additional Property now or hereafter approved by the Appropriate Local Governmental Authority, as such plan(s) may be from time to time amended and approved.

SECTION 9. "Member" shall mean and refer to every person or entity who holds Membership with voting rights in the Association. "Single Family Member" shall mean and refer to a Member who or which is a record owner of a fee interest in a Single Family Lot. "Townhome Member" shall mean and refer to a Member who or which is a record owner of a fee interest in any Townhome Lot. There shall be two (2) classes of Townhome Members, "Townhome Style One Members" and "Townhome Style Two Members," and shall mean and refer to a Member who or which is a record fee simple owner of a fee interest in any Townhome Style One Lot or Townhome Style Two Lot.

SECTION 10. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 11. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina, and continuing for so long as Declarant shall have the right to annex any portion of the Additional Property pursuant to the provisions of Article XI, Section 4 hereof or Declarant or any affiliate of Declarant shall own any portion of the Properties.

SECTION 12. "Planned Community Act" shall mean and refer to the provisions of Chapter 47F of the General Statutes of North Carolina.

SECTION 13. "Properties" shall mean and refer to all of the property hereby or hereafter made subject to the terms, covenants and conditions of this Declaration, as amended from time to time.

SECTION 14. "Townhome Common Elements" shall mean and refer to that portion of the Common Elements intended for use solely by Owners of Townhome Lots including, without limitation, such portions of the Properties as may be identified as "Townhome Common Elements" on recorded plats of the Properties.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. RECREATIONAL AMENITIES WHICH MAY BE LOCATED IN THE COMMON ELEMENTS. Declarant hereafter may construct or cause to be constructed (BUT SHALL NOT BE OBLIGATED TO CONSTRUCT) walkways, a playground, related driveways, parking and other facilities as well as other recreational facilities on a portion of the Common Elements. Declarant does not contemplate the construction of any other recreational improvements or amenities within the Common Elements.

During Declarant's Development Period, Declarant or its affiliate shall have the right to require the exclusive (or, at the discretion of Declarant or its affiliate, non-exclusive) use of all or certain portions of any Common Elements for events promoting the sale of lots or homes in Autumn Trace; provided, however, no such use by Declarant or its affiliate shall unreasonably interfere with or obstruct ingress, egress and regress to or from the Lots.

Pursuant to rules and regulations from time to time promulgated by the Association, upon request and after such notice as the rules and regulations may require, the Association, in the sole discretion of the Association's Executive Board or its designee, may allow a Member of the Association exclusive use of all or certain portions of any Common Elements for private events for a period not to exceed twenty-four (24) hours. Such rules and regulations may require that fees and/or deposits be paid to the Association in connection with such exclusive private use. Any damage to the Common Elements or any improvements located thereon during any such private event and any liability incurred by the Association as a result thereof not covered by insurance maintained by the Association (including any deductible) shall be the personal obligation of the Member or Members (joint and several) reserving the Common Elements and if not paid within thirty (30) days of written demand therefore shall be subject to collection by the Association in accordance with the provisions of Article VIII hereof.

SECTION 2. RULES AND REGULATIONS. The Executive Board of the Association may establish reasonable rules and regulations concerning the use of the Common Elements and improvements located thereon. The Association may impose reasonable monetary fines and other sanctions for the violation established rules and regulations and for the violation of any of the covenants and conditions contained in this Declaration, which monetary fines and sanctions shall be assessed and collected pursuant to the provisions of Articles IV and XI hereof. Copies of such rules and regulations and the amendments thereto shall be furnished by the Association to all owners prior to the effective date thereof. All such rules and regulations shall be binding upon the owners, their families, tenants, guests, invitees and agents until and unless such regulation, rule or requirement shall be specifically overruled, canceled, or modified by the Executive Board of the Association or by the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

SECTION 3. OWNERS EASEMENTS OF ENJOYMENT OF COMMON ELEMENTS. Every Owner shall have a right and easement of enjoyment in and to the Common Elements (other than Townhome Common Elements as to which only Townhome Members shall have a right and easement of enjoyment as hereinafter provided) which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

- (a) the easements herein reserved by Declarant or created in favor of the Association, including, without limitation the easements set forth in Article VIII hereof;
- (b) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Elements;

(c) the right of the Association to suspend the voting rights by the Owner(s) of any Lot for any period during which any assessment against such Lot remains unpaid and for any period during which such Lot or any Owner or occupant thereof is in violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;

(d) the right of the Association to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Common Elements for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded;

(e) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act and with the consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), to dedicate or transfer fee title to all or any part of the Common Elements (other than Townhome Common Elements) for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances;

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which regulations may further restrict the use of the Common Elements, and specifically including the right to make permanent and temporary assignments of parking spaces and to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Lot to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

(g) the right of the Association to borrow money for the purpose of improving the Common Elements and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), mortgage, pledge, deed in trust, or hypothecate any or all of the Common Elements (other than Townhome Common Elements) as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and

documented in the Minute Book of the Association); provided, however, during Declarant's Development Period, Declarant must also consent to such action, and further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances; and

(h) the right of the Association to convey to Declarant portions of the Common Elements for the purpose of correcting erroneous conveyances of Common Elements or eliminating unintentional encroachments of dwellings or other improvements onto portions of the Common Elements or for the purpose of enhancing the utility of the Common Elements to be retained by the Association; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

SECTION 4. TOWNHOME MEMBERS EASEMENTS OF ENJOYMENT. Every Townhome Member shall have a right and easement of enjoyment in and to the Townhome Common Elements which shall be appurtenant to and shall pass with the title to every Townhome Lot, subject to the following provisions:

(a) the easements herein reserved by Declarant or created in favor of the Association, including, without limitation the easements set forth in Article VIII hereof;

(b) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Townhome Common Elements;

(c) the right of the Association to suspend the voting rights by the Owner(s) of any Townhome Lot for any period during which any assessment against such Townhome Lot remains unpaid and for any period during which such Townhome Lot or any Owner or occupant thereof is in violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;

(d) the right of the Association to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Townhome Common Elements for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded;

(e) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act and with the consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant) and the

consent of all Townhome Members, to dedicate or transfer fee title to all or any part of the Townhome Common Elements for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Townhome Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances;

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Townhome Common Elements and improvements thereon, which regulations may further restrict the use of the Townhome Common Elements, and specifically including the right to make permanent and temporary assignments of parking spaces and to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Townhome Lot to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

(g) the right of the Association to borrow money for the purpose of improving the Townhome Common Elements and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant) and the assent of all Townhome Members, mortgage, pledge, deed in trust, or hypothecate any or all of the Townhome Common Elements (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, during Declarant's Development Period, Declarant must also consent to such action, and further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances; and

(h) the right of the Association to convey to Declarant portions of the Townhome Common Elements for the purpose of correcting erroneous conveyances of Townhome Common Elements or eliminating unintentional encroachments of dwellings or other improvements onto portions of the Townhome Common Elements or for the purpose of enhancing the utility of the Townhome Common Elements to be retained by the Association; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

SECTION 5. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the Common Elements and facilities to the members of his family, his tenants or contract purchasers who reside on the Lot of such Owner.

SECTION 6. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and By-Laws of the Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall have a term of not less than one (1) month. Other than the foregoing there is no restriction on the right of any Owner to lease his Lot.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERSHIP. Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including Declarant and any affiliated entity shall be a voting Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation. Such Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Except as otherwise provided in Section 2 below, on all matters which the Membership shall be entitled to vote, the Member(s) owning each Lot shall be entitled to one (1) vote. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

SECTION 2. CLASSES OF MEMBERSHIP. The Association shall have two classes of voting membership:

Class A: The Class A Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, except for Declarant or any affiliated entity during any Period of Declarant Control. In the event that a Lot is owned by more than one Class A Member, the Owners of such Lot, collectively, shall be allocated not more than one (1) vote and the vote allocated to such Lot shall be cast as such Owners may agree between or among themselves. Class A Members shall consist of "Single Family Members" who or which are a record owner of a fee interest in any Single Family Lot, "Townhome Style One Members" who or which are a record owner of a fee interest in any Townhome Style One Lot, and "Townhome Style Two Members" who or which are a record owner of a fee interest in any Townhome Style Two Lot.

Class B: Declarant shall be the Class B Member and Declarant shall be entitled to three (3) votes for each lot shown on the Master Plan as developed or to be

developed as a part of Autumn Trace which has not been conveyed by Declarant or any affiliated entity to a Class A Member. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; however, the Class B membership shall be reinstated if thereafter, and before the time stated in subparagraph (b) below, the Master Plan is amended to add additional lots developed or to be developed as a part of Autumn Trace sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to three (3) votes for each lot shown on the Master Plan as developed or to be developed as a part of Autumn Trace which has not been conveyed by Declarant or an affiliate of Declarant to a Class A Member) greater than those of the Class A membership; or,

(b) fifteen (15) years from the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina.

SECTION 3. DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION AND COMPOSITION AFTER PERIOD OF DECLARANT CONTROL.

During any Period of Declarant Control, Declarant shall have the right to designate and select all of the Members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Executive Board of the Association, the manner in which such person or persons 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 or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant need not be a resident of the Properties. Following the expiration of the Period of Declarant Control the Executive Board shall consist of seven (7) members if both Townhome Style One and Townhome Style Two areas have been developed or five (5) members if only one has been developed. The Townhome Style One Members and Townhome Style Two Members each shall be entitled to elect two (2) Executive Board members, the Single Family Members shall be entitled to elect two Executive Board members and one (1) "at large" member of the Executive Board shall be elected by a majority vote of all Members of the Association. For purposes of electing Executive Board members, Townhome Style One Members, Townhome Style Two Members, and Single Family Members shall vote as separate classes of Members and all Members shall vote on the "at large" member.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants,

and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual and other assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Elements; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months. The Declarant shall not be obligated to pay any annual or special assessments for any Lot owned by Declarant within the Properties. All assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Alamance County, North Carolina. Each such assessment and charge, together with interest, any late fees, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Elements or the Lots, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of any taxes and assessments assessed against the Common Elements including, without limitation, the recreational facilities constructed thereon, the payment of assessments assessed against the Common Elements and any improvements thereupon; the maintenance of open spaces and streets within the Common Elements which have not been accepted for dedication by a public authority, roadway medians and islands (including medians and islands located in dedicated rights-of-way within the Properties), drives and parking areas within the Common Elements; the procurement and maintenance of insurance in accordance with the By-Laws; the erection, maintenance and repair of signs, entranceways, landscaping and lighting within the Common Elements, road medians and islands; the cost of operating, maintaining and repairing any street lights erected by the Association or the Declarant in the rights-of-way of streets (whether public or private) or in any other easement provided therefore within the Properties; the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Elements; certain exterior maintenance of Townhome Lots; the employment of attorneys and other agents to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, and any other major expense for which the Association is responsible; and such other needs as may arise.

(b) The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements and those other portions of the Properties which the Association may be obligated to maintain. Such reserve fund is to be established out of regular assessments for common expense.

(c) 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 Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the By-Laws of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and Common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom 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 Lot. When any Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any 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 Properties.

SECTION 3. ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS; MAXIMUM ANNUAL ASSESSMENT.

(a) At least thirty (30) days in advance of each annual assessment period, the Executive Board shall establish annual budgets and fix the amount of the annual assessments in advance for the following year. Separate budgets shall be prepared for (i) expenses incurred for the benefit of all Lot Owners (the "Common Expenses"; the budget for the Common Expenses hereinafter referred to as the "Common Expense Budget"), and (ii) expenses, if any, incurred exclusively for the benefit of the Single Family Lots (the "Single Family Common Expenses"), those expenses incurred exclusively for the benefit of the Townhome Style One Lots (including the expense arising from maintenance of the Townhome Style One Common Elements and maintenance of the exterior of the Townhome Style One Lots as required by Article VI, Sections 1 and 2) (the "Townhome Style One Common Expenses"), and those expenses incurred exclusively for the benefit of the Townhome Style Two Lots (including the expense arising from maintenance of the Townhome Style Two Common Elements and maintenance of the exterior of the Townhome Style Two Lots as required by Article VI, Sections 1 and 2) (the "Townhome Style Two Common Expenses"). Common Expenses shall be shared equally by all Lot Owners, the Single Family Common Expenses shall be shared equally by the Single Family Members, the Townhome Style One Common Expenses shall be shared equally by the Townhome Style One Members, and the Townhome Style Two Common Expenses shall be shared equally by the Townhome Style Two Members. Within thirty (30) days of the adoption of any proposed budget, the Executive Board shall provide to all of the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the

Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners of a majority of the Lots reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

(b) Until December 31 of the year of the conveyance of the first Single Family Lot to an Owner, the maximum annual assessment shall be **One Hundred Forty Four and No/100 Dollars (\$144.00)** per Single Family Lot, and may be collected in monthly installments of **Twelve and No/100 Dollars (\$12.00)** per Single Family Lot (the "Single Family Assessment"). The maximum annual Single Family Assessment for the calendar year immediately following the year in which conveyance of the first Single Family Lot to an Owner is made and for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board without approval by the Membership by an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year. The maximum annual Single Family Assessment for the calendar year immediately following the year in which conveyance of the first Single Family Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Single Family Members entitled to cast at least two-thirds (2/3) of the votes of such Single Family Members who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

(c) Until December 31 of the year of the conveyance of the first Townhome Lot to an Owner, the maximum annual assessment shall be **Nine Hundred Sixty and No/100 Dollars (\$960.00)** per Townhome Style One Lot, and may be collected in monthly installments of **Eighty and No/100 Dollars (\$80.00)** per Townhome Style One Lot (the "Townhome Style One Assessment"). The annual assessments for the Townhome Style Two Lots (the "Townhome Style Two Assessment") has not yet been determined, and when determined, will be set forth in a Supplement to Declaration of Covenants, Conditions and Restrictions which will be recorded in the Alamance County Registry. The maximum annual Townhome Style One Assessment and Townhome Style Two Assessment for the calendar year immediately following the year in which conveyance of the first Townhome Style One Lot and Townhome Style Two Lot to an Owner is made and for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board, without approval by the Membership by an amount not to exceed ten percent (10%) of the maximum annual Townhome Assessment of the previous year. The maximum annual Townhome Style One Assessment and Townhome Style Two Assessment for the calendar year immediately following the year in which conveyance of the first Townhome Style One Lot and Townhome Style Two Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Townhome Style One Members or Townhome Style Two Members entitled to cast at least two-thirds (2/3) of the votes of such Townhome Style One Members or Townhome Style Two Members who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

(d) The Executive Board may fix the annual assessment at an amount not in excess of the maximum, subject to the provisions of Section 6 of this Article.

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Members entitled to cast at least two-thirds (2/3) of the votes of the Class A and Class B Members who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during the Declarant's Development Period, Declarant must also consent to such action. Notwithstanding the foregoing, special assessments for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Townhome Style One or Townhome Style Two Common Elements ("Townhome Special Assessments") shall not require the approval of Single Family Members and may be levied upon all Townhome Style One Members or Townhome Style Two Members with the assent of two-thirds (2/3) of the votes of the Townhome Style One Members or Townhome Style Two Members who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during the Declarant's Development Period, Declarant must also consent to such action. All special assessments shall be fixed at a uniform rate for all Lots, except that Townhome Style One or Townhome Style Two Special Assessments shall be levied only upon Townhome Style One Members or Townhome Style Two Members at a uniform rate for all such Townhome Members, and such special assessments may be collected on a monthly basis.

SECTION 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 of this Article shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast twenty percent (20%) of all the votes of the Class A and Class B Members shall constitute a quorum, except that in the case of any meeting called for the purpose of considering a Townhome Style One or Townhome Style Two Special Assessment, notice thereof shall be sent only to the Townhome Style One Members or Townhome Style Two Members and the presence of Members or proxies entitled to cast twenty percent (20%) of all the votes allocated to the Townhome Style One Members or Townhome Style Two Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 6. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Single Family Lots, at a uniform rate for all Townhome Style One Lots, and at a uniform rate for all Townhome Style Two Lots and may be collected on a monthly, quarterly or annual basis.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein shall commence as to a Lot on the first day of the month following the date such Lot is conveyed to an Owner other than Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The due dates shall be established by the Executive Board. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

SECTION 8. WORKING CAPITAL ASSESSMENTS. In addition to the annual assessments authorized above, at the time of the closing of the first sale of each Lot to a purchaser other than Declarant, the purchaser(s) thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) of the then current annual assessment for such Lot established by the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to help insure that the Association will have sufficient monies available to meet its initial operational needs, unforeseen expenditures or long-term capital improvements and repairs to the Common Elements. 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 the Declaration and these Bylaws.

SECTION 9. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate from time-to-time established by the Association not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable late fee, the amount of which shall be established from time to time by the Executive Board of the Association [but which shall not exceed the greater of Twenty Dollars (\$20.00) per month or ten percent (10%) of any assessment unpaid], for assessments not paid within thirty (30) days after the due date and after notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association (except rights of access to Lots) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosure of a mortgage or deed of trust on real estate under power of sale, and interest, any late fees, costs and reasonable attorneys' fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Elements or abandonment of his Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

SECTION 10. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Elements or assessments for public improvements to the

Common Elements, which default shall continue for a period of six (6) months, each Owner of a Lot in the development shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots in the development, provided that only Townhome Members shall be personally obligated to pay ad valorem taxes levied against the Townhome Common Elements and assessments for public improvements to the Townhome Common Elements. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

SECTION 11. SUBORDINATION OF THE LIEN FOR ASSESSMENTS TO THE LIEN OF FIRST MORTGAGES. The lien to secure payment of assessments shall be subordinate to the lien of any first mortgage or deed of trust. When the holder of a first mortgage or first deed of trust of record, or other purchaser of a lot obtains title to the lot as a result of foreclosure of a first mortgage or first deed of trust or deed in lieu of foreclosure, such purchaser and its heirs, successors, and assigns, shall not be liable for the assessments against such Lot which become due prior to the acquisition of title to such Lot by such purchaser. Such unpaid assessments shall be deemed to be common expenses collectible from all Owners including such purchaser, its heirs, successors, and assigns. Such sale or transfer of any Lot which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which become due prior to such sale or transfer; provided, however, no such sale or transfer shall relieve such Lot or the Owner thereof from liability for any assessments thereafter becoming due or from the lien thereof.

SECTION 12. EXEMPT PROPERTY. All property dedicated to, and accepted by, a public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

SECTION 13. PROFESSIONAL MANAGEMENT COMPANY. The Association is required to employ a professional management company to administer the operation and management of the Association as long as Declarant owns any Lot within Autumn Trace.

ARTICLE V

ARCHITECTURAL CONTROL

SECTION 1. IMPROVEMENTS. No improvements, alteration, repair, change in paint color, excavation, change in grade, planting, landscaping, exterior decoration (including, without limitation, yard ornaments, figurines, statues, bird baths, houses and feeders, flags and similar items) or other work which in any way alters the exterior of any Lot or the improvements located thereon from their natural or improved state existing on the date such Lot was first conveyed in

fee by the Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant, shall be commenced, erected or maintained upon any Lot and no building, fence wall, residence or other structure shall be commenced, erected, maintained, improved, altered or removed (all or any of the foregoing hereinafter referred to as a "Modification"), until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Executive Board of the Association or by the appropriate architectural committee. Proposed Modifications to Single Family Lots shall be reviewed by an architectural control committee composed of three (3) or more representatives appointed by a majority vote of those certain members of the Executive Board elected by the Single Family Members. Proposed Modifications to Townhome Style One Lots shall be reviewed by an architectural control committee composed of three (3) or more representatives appointed by a majority vote of those certain members of the Executive Board elected by the Townhome Style One Members and proposed Modifications to Townhome Style Two Lots shall be reviewed by an architectural control committee composed of three (3) or more representatives appointed by a majority vote of those certain members of the Executive Board elected by the Townhome Style Two Members. In the event that a majority vote is not attained for any of the foregoing appointments, the "at large" Member of the Executive Board may vote to attain a majority. Notwithstanding the foregoing, landscaping improvements consisting of plant materials native to the area and commonly used in residential landscaping which do not interfere with the sight lines of motorists at intersections of the streets and/or driveways located within the Properties shall not require approval by the Executive Board of the Association or the Architectural Control Committee. In addition, temporary seasonal exterior decorations shall not require the prior approval of the Executive Board or the Architectural Control Committee, but if any such decorations are determined, in the sole discretion of the appropriate Architectural Control Committee, to be distasteful or otherwise disruptive of the aesthetics or visual harmony of the community, the appropriate Architectural Control Committee may require that such decorations promptly and permanently be removed. In the event that an Owner neglects or fails to remove any such decorations at the request of the Architectural Control Committee, the Association may provide such removal. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times for such purpose and the cost of such removal shall be added to and become a part of the assessment to which such Lot is subject. Notwithstanding the foregoing, nothing herein contained shall prevent or interfere with the right of Declarant or any affiliate of Declarant to improve and develop the Properties, including the Lots, as Declarant or such affiliate chooses, so long as said development follows the general plan of development of the Properties from time to time approved by the Appropriate Local Governmental Authority. Accordingly, nothing herein shall require that either Declarant or any affiliate of Declarant seek or obtain the approval of the Architectural Control Committee for improvements erected on the Properties by or at the direction of Declarant or any such affiliate. In addition, for so long as Declarant or any affiliated entity owns any Lot or has the right to annex any Additional Property pursuant to Section 4(b), Article XI hereof, Declarant or its affiliate may approve any plans and specifications rejected by any Architectural Control Committee for the construction or alteration of improvements on any Lot provided the construction or alteration approved by Declarant or its affiliate comport with the general scheme of development from time to time approved by the

Appropriate Local Governmental Authority. Such approval by Declarant or its affiliate shall operate and have the same effect as approval by the Executive Board or the Architectural Control Committee.

SECTION 2. PROCEDURES.

(a) Any person desiring to make any improvement, alteration or change described in Section 1 above shall submit the plans and specifications therefore, showing the nature, kind, shape, height, materials and location of the same, to the appropriate Architectural Control Committee which shall evaluate such plans and specification in light of the purposes of this Article.

(b) Upon approval by the appropriate Architectural Control Committee of any plans and specifications submitted pursuant to this Declaration, a copy of such plans and specifications, as approved, shall be deposited for permanent record with the Association and a copy of such plans and specifications bearing such approval, in writing, shall be returned to the applicant submitting the same. Approval for use in connection with any Lot of any plans and specifications shall not be deemed a waiver of the Architectural Control Committee's right, in its discretion, to disapprove similar plans and specifications or any of the features or elements included therein if such plans, specifications, features or elements are subsequently submitted for use in connection with any other Lot. Approval of any such plans and specifications relating to any Lot, however, shall be final as to that Lot and such approval may not be reviewed or rescinded thereafter, provided that there has been adherence to, and compliance with, such plans and specifications, as approved, and any conditions attached to any such approval. As a condition to the granting of approval of any request made under this Article, the Association may require that the Owner(s) requesting such change be liable for any cost of maintaining, repairing and insuring the approved alteration. If such condition is imposed, the Owner(s) shall evidence consent thereto by a written document in recordable form satisfactory to the Association. Thereafter, the Owner(s), and any subsequent Owner(s) of the Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, are deemed to covenant and agree that the cost of maintaining, repairing and insuring such alteration shall be a part of the annual assessment or charge set forth herein, and subject to the lien rights described herein.

(c) Neither Declarant, nor any other member of the Association's Executive Board or Architectural Control Committee, shall be responsible or liable in any way for any defects in any plans or specification approved by them, nor for any structural defects in any work done according to such plans and specifications. Further, neither Declarant, nor any member of the Association's Executive Board or Architectural Control Committee, shall be liable in damages to anyone by reason of mistake in judgment, negligence, misfeasance, malfeasance or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specification or the exercise of any other power or right provided for in this Declaration. Every Person who submits plans or specifications for approval agrees, by submission of such plans and specifications, and every owner of any Lot agrees, that he or she will not bring any action or suit against Declarant, or any member of the Association's Executive Board or Architectural Control Committee, to recover any such damage.

ARTICLE VI

EXTERIOR MAINTENANCE

SECTION 1. MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION. The Association shall maintain the Common Elements, including, without limitation, the Townhome Common Elements.

SECTION 2. EXTERIOR MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION FOR TOWNHOME LOTS. The Association shall provide exterior maintenance for the dwelling located on each Townhome Lot which is subject to assessments hereunder, as follows: paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces (including doors and garage doors, but excluding glass surfaces, window or door screens, any storm doors installed by such Townhome Member and garage door openers) steps, and other exterior improvements. Such exterior maintenance shall not include the exterior maintenance to be performed by the Townhome Member as provided in Section 3 below. The cost of the foregoing work shall be included in the Townhome Common Expenses. In the event that the need for any maintenance, repair or replacement required hereunder to be performed by the Association is caused through the willful or negligent act of the Townhome Member, his family, guests or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending strike, civil commotion, aircraft, vehicles or smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage insurance policies, the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Townhome Lot is subject.

SECTION 3. EXTERIOR MAINTENANCE TO BE PERFORMED BY TOWNHOME MEMBERS. Each Townhome Member shall be liable and responsible for maintenance, repair and replacement, as the case may be, of all glass surfaces, window or door screens, any storm doors installed by such Townhome Member (any such installation being subject to Article V hereof), air conditioning and heating equipment and all other equipment required to provide water, light, power, telephone, sewage and sanitary service to his Lot which are not publicly maintained. In the event that the Townhome Member neglects or fails to maintain his or her Lot and/or the exterior of his or her dwelling in a manner consistent with other Townhome Lots and dwellings within the Properties, the Association may provide such exterior maintenance and all cost incurred by the Association in providing such exterior maintenance shall be added to the annual assessment for such Lot and subject to the lien rights described in Article IV; provided, however, that the Association shall first give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself. The determination as to whether an Owner has neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Townhome Lots and dwellings within the Properties shall be made by the Executive Board of the Association, in its sole discretion.

SECTION 4. MAINTENANCE TO BE PERFORMED BY SINGLE FAMILY MEMBERS. Each Single Family Member shall be responsible for the exterior maintenance of

his or her dwelling and Lot, including, without limitation, the following: painting, replacement and care of roofs, gutters, downspouts, exterior building surfaces, lawn, trees, shrubs, landscaping, driveways, steps, walks and other exterior improvements. Each Single Family Member shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all utility lines, fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to such Single Family Member's Lot which are not publicly maintained.

In the event that a Single Family Member neglects or fails to maintain his or her improved Lot and/or the exterior of his or her dwelling in a manner consistent with other improved Single Family Lots and dwellings within the Properties or fails to maintain his or her improved Single Family Lot in a safe condition and free of debris, the Association may provide such exterior maintenance; provided, however, that the Association shall first give written notice to the Single Family Member of the specific items of exterior maintenance or repair the Association intends to perform and the Single Family Member shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself. The determination as to whether a Single Family Member has neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Single Family Lots and dwellings within the Properties shall be made by the Executive Board of the Association, in its sole discretion. In the event the Association performs such exterior maintenance, repair or replacement, the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Lot is subject. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provided in this Article.

ARTICLE VII RESTRICTIONS

SECTION 1. LAND USE. No Single Family Lot shall be used except for single-family residential purposes, except as expressly provided for herein, and no Townhome Lot shall be used except for townhome residential purposes; provided, however, Declarant, or any affiliated entity may use any Lot owned or leased by Declarant or any affiliated entity as a temporary sales office and/or model for the purposes of carrying on business related to the development, improvement and sale of the Properties or the Additional Property. No building shall be erected, placed or permitted to remain on any Single Family Lot other than one detached single-family dwelling not to exceed 2½ stories in height, an optional attached private garage for not more than three (3) cars and one (1) permanent accessory building incidental to the residential use of the Single Family Lot. By way of illustration and not of limitation, any such accessory building must be erected on a permanent foundation and must be constructed on the Lot (as opposed to a pre-fabricated building).

SECTION 2. DWELLING SPECIFICATIONS. No dwelling shall be erected or allowed to remain on a Single Family Lot if the main structure, exclusive of open porches, decks and garages, contains less than One Thousand Two Hundred (1,200) square feet of heated floor

area. No dwelling shall be erected or allowed to remain on a Townhome Style One Lot if the main structure, exclusive of open porches, decks and garages, contains less than One Thousand Two Hundred (1,200) square feet of heated floor area. No dwelling shall be erected or allowed to remain on a Townhome Style Two Lot if the main structure, exclusive of open porches and decks, contains less than One Thousand Two Hundred (1,200) square feet of heated floor area.

SECTION 3. NUISANCE. No noxious or offensive activity shall be conducted upon any Lot or the Common Elements nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. In the event that any Lot Owner or any other person conducts obnoxious or offensive activity upon any Lot or does anything thereon which may be or may become an annoyance or nuisance to the neighborhood, a written complaint can be filed by a Lot Owner with the Association. If, after investigation, the complaint is deemed legitimate by the Association, the Association will make a written request to the owner of the Lot upon which the activity is being conducted that the obnoxious or offensive activity be stopped immediately. If the activity continues for two days after this written notice is issued by the Association, any complaining Lot Owner can pursue judicial relief against the offending Lot Owner or the offending person. All Lot Owners expressly waive any claims against Declarant related to any obnoxious or offensive activity conducted upon any Lot or relating to anything done upon any Lot which may be or may become an annoyance or nuisance to the neighborhood, except to the extent that the alleged obnoxious or offensive activity is conducted by the Declarant or the Declarant's agent. No Lot or other area within Properties shall be used as a dumping ground for rubbish or as a site for the accumulation of unsightly materials of any kind, including, without limitation, broken or rusty equipment and discarded appliances and furniture. No outdoor clotheslines shall be permitted.

SECTION 4. MOTOR VEHICLES. No boat, marine craft, hovercraft, aircraft, trailer, camper, truck greater than one ton in size or motorized van used for commercial purposes (as distinguished from a van used as a passenger car) shall be parked within the right of way of any public or private street adjacent to any Lot or on any Lot, except that any of the above may be parked completely inside a garage. This restriction shall not apply to any vehicle, machinery or equipment temporarily parked and in use for the construction, maintenance or repair of a residence in the immediate vicinity of the parking area. No vehicles or similar equipment shall be parked or stored in an area visible from any street except passenger automobiles, passenger vans, motorcycles, and pick-up trucks that are in operable condition and have current license plates and inspection stickers. No inoperative motor vehicle may be parked or stored on any Lot or any public or private street or other area within the Properties for a period in excess of forty-eight (48) hours.

SECTION 5. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on the Common Elements or on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, the County of Alamance relating thereto; and (ii) such rules and regulations pertaining thereto as the Executive Board may adopt from time to time.

SECTION 6. OUTSIDE ANTENNAS. Except for "dish" antennas designed to receive direct broadcast satellite service, including direct-to-home satellite service, one meter (39") or less in diameter, antennas designed to receive video programming services via MMDS (wireless cable) and antennas designed to receive television broadcast signals, no outside antennas or satellite dishes and no free standing transmission or receiving towers shall be erected on any Lot within the Properties without the prior written permission of the Architectural Control Committee. Except as otherwise reasonably required in order to receive the intended signal, any antenna or satellite dish erected on any Lot within the Properties shall be affixed to the dwelling, shall be a color which blends with its surrounds, shall have a mast only as high as reasonably necessary to receive the intended signal and shall not be visible from any street.

SECTION 7. SUBDIVISION OF LOTS. No Lot shall be subdivided into a lot smaller than or different from the Lot shown on the recorded plat and no street shall be laid out across or through any Lot, except by the Declarant or with the written consent of Declarant.

SECTION 8. SIGNS. No sign shall be placed or allowed to remain on any Lot except for ONE (1) "For Sale" sign, or one other temporary sign to advertise a yard sale or other temporary activity on the Lot and such other temporary sign shall not be permitted to remain on any Lot for more than SEVENTY-TWO (72) consecutive hours. No sign deemed by the Association, the Architectural Committee or Declarant to be a nuisance or a detriment to the Properties or the Additional Property shall be permitted to be erected or to remain on any Lot. Notwithstanding the foregoing, during Declarant's Development Period, Declarant and any affiliate shall have the right to erect and maintain signs within the Common Elements or on any Lot owned or leased by Declarant or such affiliate for the purpose of advertising and promoting the sale of such lots.

SECTION 9. MOBILE HOMES, MANUFACTURED HOMES, ETC. No mobile home, manufactured home, modular home, trailer, or other like structure shall be located or installed on any Lot. As used in this Section, mobile home, manufactured home or modular home shall mean a structure, assembled in whole or in part in a location other than on the Lot itself, transportable in one or more sections, any section of which, during transport, is four (4) feet or more in width and ten (10) feet or more in length, which may or may not be built on a permanent chassis and which is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. Notwithstanding the foregoing, Declarant, builders or contractors may maintain temporary improvements (such as a sales office and/or construction trailer) on any Lot during the construction and development period.

SECTION 10. FENCES OR WALLS. No fence, wall or other enclosure shall be constructed on any Lot without first obtaining the approval of the Architectural Control Committee as provided in Article V of this Declaration. No fence on any Lot shall be permitted to extend nearer to any front street than the back building line of the residence located on that Lot or nearer to any side street than the side building line of the residence located on that Lot. No portion of any fence erected on any Lot may exceed six (6) feet in height and chain link fences are not permitted. Notwithstanding the foregoing, Declarant, its successors and assigns, and the Association shall have the right to erect chain link fences and any other type of fences and enclosures within the Common Elements without the approval of the Architectural Control

Committee, such fences and other enclosures to become a part of the Common Elements to be maintained by the Association.

ARTICLE VIII

EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. In addition, Declarant reserves, for itself and the Association, additional easements and rights-of-way for the installation and maintenance of utilities (including cable television service) and drainage facilities over the rear TEN (10) feet of all Single Family Lots and over each side FIVE (5) feet of all Single Family Lots. Within these easements no structures, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of the appropriate governmental entity (and any other person or firm providing services to the Properties under agreement with or at the direction of the Association) over all Common Elements as may be reasonably necessary for the setting, removal and reading of water meters, and the maintenance and replacement of water, sewer and drainage facilities and for the fighting of fires and collection of garbage. The Association shall have the power and authority to grant and establish upon, over and across the Common Elements such additional easements as are necessary or desirable for the providing of service or utilities to the Common Elements or Lots.

SECTION 2. SIGNS. Declarant hereby grants, gives and conveys to the Association a perpetual, non-exclusive easement over any portions of the Lots designated as "sign easements" on plats of the Properties, now or hereafter recorded, to erect, maintain, replace and repair subdivision signs and landscaping and/or lighting surrounding the same and all such easements shall be part of the Common Elements. The Association shall maintain all subdivision signs and landscaping and lighting surrounding the same now or hereafter erected within the Common Elements. The costs of all such maintenance, repair and replacement of such signs, landscaping and lighting shall be part of the common expenses of the Association, payable by the Owners as set out in Article IV hereof. Further, during Declarant's Development Period, Declarant and any affiliated entity shall have (i) the right to erect within the Common Elements additional subdivision signs and landscaping and lighting surrounding the same to be maintained by the Association as herein provided and (ii) the right to erect within the Common Elements signs advertising the sale and promotion of Lots or any portion of the Additional Property.

SECTION 3. EASEMENT RESERVED BY DECLARANT. Declarant hereby reserves such easements on, across and over the Common Elements as shall be reasonably necessary for (i) the exercise by Declarant or any affiliated entity of any right herein reserved, including, without limitation, Declarant's right, should Declarant elect, to annex the Additional Property, as hereinafter defined and (ii) the development by Declarant or any affiliate, their respective successors and assigns, of the Additional Property, should Declarant elect not to annex the Additional Property, including without limitation easements for ingress, egress and regress over

private roads and streets now or hereafter erected on the Properties and easements for the use of all utility lines, fixtures and/or their connections located within the Common Elements for the purpose of providing water, light, power, telephone, sewage and sanitary service to the Additional Property.

SECTION 4. ENCROACHMENTS. In the event that any improvements on a Lot shall encroach upon any Common Elements or upon any other Lot as a result of the initial improvements constructed by Declarant or for any reason not caused by the purposeful or negligent act of the Owner or agents of such Owner, then an easement appurtenant to such Lot shall exist for the continuance of such encroachment upon the Common Elements or other Lot for so long as such encroachment shall naturally exist; and, in the event that any portion of the Common Elements shall encroach upon any Lot, then an easement shall exist for the continuance of such encroachment of the Common Elements into any such Lot for so long as such encroachment shall naturally exist.

ARTICLE IX

PARTY WALLS

SECTION 1. GENERAL RULES OF LAW TO APPLY. Each wall, including fences constructed on common boundaries of Townhome Lots, which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between Townhome Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence, or willful acts or omissions shall apply thereto.

SECTION 2. REPAIR AND MAINTENANCE. The cost of reasonable repair and maintenance of a party wall shall be shared by the Townhome Members who make the use of the wall in proportion to such use.

SECTION 3. DESTRUCTION BY FIRE OR OTHER CASUALTY. If a party wall is destroyed or damaged by fire or other casualty, any Townhome Member who has used the wall may restore it, and if the other Townhome Members thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Townhome Members to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

SECTION 4. WEATHERPROOFING. Notwithstanding any other provision of this Article, a Townhome Member who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements and repairing any damage resulting from such exposure.

SECTION 5. RIGHT TO CONTRIBUTION RUNS WITH LAND. The right of any Townhome Member to contribution from any other Townhome Member under this Article shall be appurtenant to the land and shall pass to such Townhome Member's successors in title.

SECTION 6. ARBITRATION. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, such dispute shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any Court of competent jurisdiction.

ARTICLE X

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

SECTION 1. ENTITIES CONSTITUTING INSTITUTIONAL LENDERS.

"Institutional Lender" as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies or other firms or entities customarily affording loans secured by first liens on residences, and eligible insurers and governmental guarantors.

SECTION 2. OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS.

So long as any Institutional Lender shall hold any first lien upon any Lot and shall have given notice to the Association as set forth in Section 3 of this Article, or shall be the Owner of any Lot, such Institutional Lender shall have the following rights:

(a) To inspect the books and records of the Association during normal business hours and to be furnished with at least one (1) copy of the annual financial statement and report of the Association prepared by a certified public accountant designated by the Executive Board of the Association, such financial statement or report to be furnished by April 15 of each calendar year.

(b) To be given notice by the Association of the call of any meeting of the Membership to be held for the purpose of considering any proposed amendment to this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation or By-Laws of the Association or of any proposed abandonment or termination of the Association or the effectuation of any decision to terminate professional management of the Association and assume self-management by the Association.

(c) To receive notice of any condemnation or casualty loss affecting the Common Elements or any portion thereof.

(d) To be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

(e) To be given notice by the Association of any proposed alienation, release, transfer, hypothecation or other encumbrance of the Common Elements, other than those specific rights vested in the Association under Article II hereof.

(f) To be given 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 Lot encumbered by a mortgage held by the Institutional Lender, such notice to be

given in writing and to be sent to the principal office of such Institutional Lender, or to the place which it may designate in writing.

SECTION 3. REQUIREMENTS OF INSTITUTIONAL LENDER. Whenever any Institutional Lender desires to avail itself of the provisions of this Declaration, it shall furnish written notice thereof to the Association by CERTIFIED MAIL at the address shown in the Articles of Incorporation identifying the Lot or Lots upon which any such Institutional Lender holds any first lien or identifying any Lot or Lots owned by such Institutional Lender and such notice shall designate the place to which notices, reports or information are to be given by the Association to such Institutional Lender.

ARTICLE XI

GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Owner(s) of each Lot shall be governed by and shall comply with the provisions of this Declaration, the Bylaws of the Association and all rules and regulations of the Association adopted pursuant thereto, as any of the same are now constituted or as they may be amended from time to time. A default by any Owner shall entitle the Association or the Owner(s) of any of the other Lots to the following relief:

(a) The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, the Bylaws of the Association and all rules and regulations of the Association adopted pursuant thereto. Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the 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. The Association shall have the right to request that law enforcement, public safety and animal control officers come on the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

(b) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to assess reasonable fines against an Owner for violations of this Declaration the Bylaws of the Association or the Association's published rules and regulations by such Owner, or such Owner's family, guests, invitees and lessees in an amount not to exceed \$100.00 for each violation, and without further hearing, for each day more than five (5) days after the decision that the violation occurs. Such fines shall be deemed to be assessments as set forth in Article IV of the Declaration and if not paid within thirty (30) days after notice and demand therefore, the Association shall be entitled to the remedies set forth in the Declaration for the enforcement and collection of delinquent assessments.

(c) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to suspend privileges or services provided by the Association (except rights of access to Lots) for reasonable periods for violations of this Declaration or the Bylaws, Articles or rules and regulations of the Association. If it is decided that a suspension of

privileges or services provided by the Association should be imposed, the suspension may be continued without further hearing until the violation is cured.

(d) If an Owner is legally responsible for damage inflicted on any Common Elements, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover damages from the responsible Owner. If damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner. When any such claim for damages against an Owner or the Association is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, any aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Executive Board of the Association to determine if an Owner is responsible for damages to any Common Elements or the Association is responsible for damages to any Lot. An Owner may appeal the decision of an adjudicatory panel to the full Executive Board by delivering written notice of appeal to the Executive Board within fifteen (15) days after the date of the decision. The Executive Board may affirm, vacate, or modify the prior decision of the adjudicatory body. If the Executive Board fails to appoint an adjudicatory panel to hear such matters, such hearings shall be held before the Executive Board. Such panel shall accord to the party charged with causing damages notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. This panel may assess liability for each damage incident against each Owner charged or against the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statute 7A-210. When the such claim exceeds the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, liability of any Owner charged or the Association shall be determined as otherwise provided by law. Liabilities of Owners determined by adjudicatory hearing or as otherwise provided by law shall be assessments secured by lien under Section 47F-3-116 of the Planned Community Act. Liabilities of the Association determined by adjudicatory hearing or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any lien of the Association against the Lot at issue.

(e) In any proceeding arising because of an alleged default by a 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 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 Owner to enforce such right, provision, covenant or condition in the future.

(g) All rights, remedies and privileges granted to the Association or the Owners, pursuant to any terms, provisions, covenants or conditions of the 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 document shall not constitute a waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

SECTION 2. SEVERABILITY. Invalidation of any one of the covenants or restrictions by judgment or court order shall in no wise affect any other provision which shall remain in full force and effect.

SECTION 3. AMENDMENT. The covenants and restrictions of this Declaration shall run and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated as hereinafter provided. This Declaration may be terminated or amended with the consent of the Owners entitled to cast at least eighty percent (80%) of the votes of the Association; provided, however, during Declarant's Development Period, this Declaration may not be amended or terminated without Declarant's consent and no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant. Any amendment, except amendments that Declarant is authorized to make unilaterally, must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the amendment on behalf of the Association that the requisite Owner and Declarant approval has been obtained and is evidenced by written acknowledgment(s) signed by the Owners approving the amendment and, if required, Declarant, and that such acknowledgments have been made a part of the Minute Book of the Association; and (3) be properly recorded in the Office of the Register of Deeds, Alamance County, North Carolina. For the purpose of this section, additions to existing property by Declarant pursuant to Section 4 of this Article shall not constitute an "amendment."

SECTION 4. ANNEXATION.

(a) Except as provided in Subsection (b) of this Section 4, Article XI, additional residential property and Common Elements may be annexed to the Properties only with the consent of the Members entitled to cast two-thirds (2/3) of the votes each of the Class A and Class B Members of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during Declarant's Development Period, Declarant must also consent to such action.

(b) All or any portion of the Additional Property may be annexed by the Declarant without the consent of Members within ten (10) years of the date of this instrument. Declarant shall have no obligation of any kind to annex any or all of the Additional Property and, should Declarant elect to annex all or any portion of the Additional Property, Declarant shall have no obligation of any kind to annex the Additional Property in any particular sequential order. Should Declarant elect to annex all or any portion of the Additional Property and accordingly to subject such property to the terms and conditions of this Declaration, with regard to all or any part of the Additional Property annexed by Declarant, to make such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Declarant, to reflect the different

character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such additions and/or modifications shall have no effect upon the properties previously subjected to this Declaration. With regard to any portion of the Additional Property not annexed by Declarant, Declarant makes no representations with regard to the use of such property or the exterior appearance, design, size or intended purpose of any improvements now or hereafter erected on such property.

SECTION 5. AMPLIFICATION. The Provisions of this Declaration are amplified by the Articles of Incorporation and Bylaws of the Association; but no such amplification shall alter or amend any of the rights or obligations of the Owners set forth in this Declaration. Declarant intends that the provisions of this Declaration on the one hand, and the Articles of Incorporation and Bylaws of the Association on the other be interpreted, construed, and applied to avoid inconsistencies or conflicting results. If such conflict necessarily results, however, Declarant intends that the provisions of this Declaration control anything contained in the Articles of Incorporation or Bylaws of the Association.

[Remainder of this page intentionally left blank]

Unofficial