



FOR REGISTRATION REGISTER OF DEEDS
Willie L. Covington
DURHAM COUNTY, NC
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**DECLARATION OF COVENANTS, EASEMENTS,
CONDITIONS AND RESTRICTIONS
FOR
LATTA WOODS**

THIS DECLARATION OF COVENANTS, EASEMENTS, CONDITIONS AND RESTRICTIONS (this "Declaration") is made as of the 19th day of April, 2006, by M/I HOMES OF RALEIGH, LLC, a Delaware limited liability company, 1500 Sunday Drive, Suite 113, Raleigh, North Carolina 27607 ("Declarant").

WITNESSETH:

A. Declarant is the owner of the real property more fully described in Exhibit A attached hereto and by this reference incorporated herein.

B. Declarant desires to (i) develop the Property (as hereinafter defined) into a residential subdivision to be known as "Latta Woods", (ii) restrict the use and occupancy of the Property for the protection of the Property and the future owners of the Property, and (iii) establish an association for the purposes of owning and maintaining the Common Elements (as hereinafter defined) and performing, administering and enforcing all of the terms and conditions of this Declaration.

Declarant hereby declares that the property described in Exhibit A attached hereto (and any additional property subjected to this Declaration as provided herein) is and shall be held, developed, encumbered, leased, occupied, improved, used, and conveyed subject to the covenants, easements, conditions, restrictions, assessments, charges, liens and other provisions hereinafter set forth in this Declaration, as this Declaration may be amended from time to time, which are for the purpose of protecting the value and desirability of, and which shall run with the

Drawn by and mail to:

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Property and be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner of any portion of the Property.

C. This Declaration creates a planned community under the North Carolina Planned Community Act (N.C. Gen. Stat. Chap. 47F).

D. That certain Declaration of Covenants, Conditions and Restrictions for the Latta Woods Community Association, Inc. recorded in the Public Records in Book 3061 at Page 56, which previously encumbered the Property, has been terminated by that certain Termination of Declaration of Covenants, Conditions and Restrictions for the Latta Woods Community Association, Inc. recorded in the Public Records in Book 5179 at Page 754.

I. APPLICABILITY

Upon the recordation hereof, this Declaration shall apply to the real property described in the attached Exhibit A (the "Initial Property"). If Declarant owns or acquires additional parcels of real property adjacent to the Initial Property, intended by Declarant for future development generally consistent with the development of the Initial Property, Declarant may annex said additional parcels to, and declare them to be subsequent phases of, Latta Woods, and subject such annexed parcels to the terms and conditions of this Declaration. Declarant may subject annexed parcels to this Declaration without modification, or Declarant may supplement and amend this Declaration as it applies to such additional phases of Latta Woods. As to each subsequent phase of Latta Woods, Declarant may re-record this Declaration with an attached exhibit which modifies and/or supplements this Declaration with respect to such phase, or Declarant may incorporate this Declaration by reference into a supplemental declaration which establishes the modifications and/or supplemental provisions desired by Declarant to be applicable to such phase. The modifications and/or supplemental provisions applicable to different phases of development at Latta Woods may be comparable to, more restrictive or less restrictive than the parallel provisions applicable to other phases of Latta Woods, as determined to be appropriate by Declarant in the exercise of its sole discretion. In the event of any inconsistency between the provisions of this Declaration and the provisions of any phase-specific modifications and/or supplements hereto, the terms of the phase-specific document shall control.

The parcels which Declarant may annex and subject to the terms and conditions of this Declaration include, without limitation, those parcels described on Exhibit B attached hereto and incorporated herein by this reference. Each Owner, by acceptance of a deed conveying a Lot, acknowledges and agrees that Latta Woods may be expanded by such annexation; that Owners of Lots within such annexed property shall have the right to use the Common Elements; and that such annexed property may include additional Common Elements.

II. DEFINITIONS

In addition to the terms defined elsewhere in this Declaration, the following terms, as used in this Declaration, shall have the following meanings:

"Amenity Area" – the parcel of Common Elements upon which a tot lot or playground or other recreational amenity or facility together with any parking area may be located (if any and without any obligation by implication of Declarant to construct or install same) for the common use and enjoyment of all Owners, as shown on a Plat recorded or to be recorded.

"Annual Assessment" - amount to be paid to the Association by each Owner of a Lot annually.

"Architectural Control Committee" – the board or committee appointed by the Board to review and approve or disapprove all Improvements initially constructed by parties other than Declarant, and all subsequent modifications, additions or alterations to Improvements performed by parties other than Declarant.

"Assessments" – collectively referring to Initial Contribution, Annual Assessments, Lot Assessments and Special Assessments.

"Association" – Latta Woods Homeowners' Association, Inc., a North Carolina non-profit corporation.

"Association Documents" - this Declaration (as the same may be amended and/or supplemented from time to time) and the formative documents of the Association, consisting of the articles of incorporation, Bylaws and any and all procedures, rules, regulations or policies adopted by the Association.

"Board or Executive Board" - the board of directors of the Association.

"Bylaws" – the bylaws of the Association, including any amendments thereto.

"Common Expenses" – all expenses incurred by the Association in connection with its ownership and/or maintenance of the Common Elements, maintenance of property other than Common Elements as provided herein, real estate taxes and assessments, if any, attributable to the Common Elements, utilities for the Common Elements, or incurred in furtherance of the Association's duties and obligations and conducting its affairs and generally discharging the duties and obligations imposed upon it by this Declaration or assumed by it pursuant to authorization granted by this Declaration. Common Expenses shall include without limitation all payments made for the leasing of street lights within the Property pursuant to any lease therefor entered into by the Association, or originally entered into by the Declarant or any third party and assigned to the Association.

"Common Elements" - all real and/or personal property, or easement rights, now or hereafter acquired, pursuant to this Declaration or otherwise, and owned by the Association (or by Declarant for subsequent transfer to the Association) for the common use and the enjoyment of the Owners, and designated as "Common Elements", "Common Area," "Common Open Space," or "COS," or by similar description on any Plat, including the real property designated as "Open Space (Common Area)" on the Plat recorded in the Public Records in Plat Book 152 at pages 81 and 83, together with all Improvements located thereon, including entrance monuments, signage, lighting, landscaping, fences, and related improvements; and together with any and all real or personal property not owned by the Association, but the maintenance of which is the

responsibility of the Association under the terms of this Declaration, applicable zoning regulations, or under any other agreement or instrument by which the Association is bound. The Common Elements shall include, without limitation, the Amenity Area and all facilities constructed thereon.

"Community Standard" – the standard of conduct, maintenance, or other activity generally prevailing throughout the Property, as determined by the Board from time to time.

"Developed Lot" – any Lot owned by anyone other than Declarant.

"Declarant" – M/I Homes of Raleigh, LLC, its successors and assigns, provided those successors and assigns are designated in writing by M/I Homes of Raleigh, LLC, in an instrument filed in the Public Records as successors or assigns of its rights under this Declaration.

"Improvements" - all man-made or man-installed alterations to the Property which cause the Property to deviate from its natural condition, including but not limited to, buildings, outbuildings and garages; overhead, aboveground and underground installations, including without limitation, utility facilities and systems, lines, pipes, wires, towers, cables, conduits, poles, antennae and satellite dishes; flagpoles; swimming pools, tennis courts, swing sets and recreational structures of all descriptions; slope and drainage alterations; roads, driveways, uncovered parking areas and other paved areas; fences, trellises, walls, retaining walls, exterior stairs, decks, patios, porches and lawn furniture; trees, hedges, shrubs, lawn ornaments and other forms of landscaping; and all other structures of every type.

"Initial Contribution" – the one-time charge paid to the Association by an Owner of a Developed Lot at the time such Owner acquires title to such Lot.

"Latta Woods" – the Property, including the Common Elements, subject at any time to this Declaration and comprising the residential community created hereby.

"Lot" - a discrete parcel of real property identified on a Plat as a separate building lot, and any other discrete parcel of real property designated by Declarant, excluding the Common Elements and any portion of the Property dedicated for public use. Declarant has and reserves the right to split and/or combine Lots into new Lots without the consent or approval of any other Owners or the Association, as Declarant may deem such split or combination to be beneficial to the Property from time to time. Any and all references herein to a "Lot" shall include any such replatted Lots. Once a split/combination is completed, the former lots shall cease to be "Lots" for any and all purposes hereunder, including without limitation Assessments. Lots include both Developed and Undeveloped Lots.

"Lot Assessment" - an assessment that the Board may levy against one or more Developed Lots to reimburse the Association for costs incurred on behalf of those Lot(s), including without limitation, costs associated with making repairs that are the responsibility of the Owners of those Lots; costs of additional insurance premiums specifically allocable to an Owner; and all other charges reasonably determined to be a Lot Assessment by the Board.

"Manager" - the person or entity retained by the Board to assist in the management of the Association.

"Member" - any member of the Association.

"Operating Fund" - the fund established pursuant to Article IX.

"Owner" - the record owner, whether one or more persons or entities, of fee simple title to a Lot, including contract sellers, but excluding those having an interest merely as security for performance of an obligation.

"North Carolina Planned Community Act" - the North Carolina Planned Community Act, Chapter 47F, North Carolina General Statutes, as same may be amended from time to time.

"Plat" - any plat of all or any portion of the Property as recorded in the Public Records, as amended or revised from time to time.

"Property" - all of the real property described in Exhibit A attached hereto and such additional property as may be annexed by amendment or supplement to this Declaration, or that is owned in fee simple by the Association, together with all easements and appurtenances.

"Public Records" - the records maintained in the Office of the Register of Deeds of Durham County, North Carolina.

"Reserve Fund" - the fund established pursuant to Article IX.

"Rules" - the rules and regulations governing (i) use of the Property and the Common Elements and (ii) the conduct of Members and their respective families, guests, licensees and invitees, as the same may be established by the Board from time to time pursuant to Article VIII.

"Special Assessment" - an assessment levied by the Association against all Developed Lots pursuant to Article IX or at a special meeting of the Members of the Association to pay for capital expenditures or interest expense on indebtedness incurred for the purpose of making capital expenditures and not projected to be paid out of the Reserve Fund, or any other extraordinary expense not included in the Association budget.

"State" - the State of North Carolina, and, unless the context requires otherwise, any political subdivision thereof exercising jurisdiction over the Property.

"Turnover Date" - the date described in Article VII, Section B.

"Undeveloped Lot" - any Lot owned by Declarant.

III. GOALS

The covenants, easements, conditions and restrictions contained in this Declaration are declared to be in furtherance of the following purposes:

- A. Compliance with all zoning and similar governmental regulations;

B. Promotion of the health, safety and welfare of all Owners and residents of the Property;

C. Preservation, beautification and maintenance of the Property and all Improvements; and

D. Establishment of requirements for the development and use of the Property.

IV. USE RESTRICTIONS

The following restrictions and covenants concerning the use and occupancy of the Property shall run with the land and be binding upon Declarant and every Owner or occupant thereof, their respective heirs, successors and assigns, as well as their family members, guests, licensees and invitees.

A. Use of Lots. Except as otherwise permitted herein, each Lot shall be occupied and used exclusively for single-family, residential purposes and purposes customarily incidental to a residence. No Improvements may be constructed on any Lot until and unless the plans therefor have been approved by the Architectural Control Committee, except for Improvements constructed by Declarant as part of initial construction on a Lot (including, without limitation, fences, porches, stoops, bay windows, terraces and decks). All Improvements shall be constructed no nearer the street or streets on which a Lot fronts than the platted setback line(s) for such Lot, unless a variance to permit construction forward of a setback line has been approved by the Architectural Control Committee, and has been obtained from all governmental authorities having jurisdiction.

B. Use of Common Elements. Any Common Element may be used only in accordance with the purposes for which it is intended and for any reasonable purposes incidental to the residential use of a Lot. All uses of the Common Elements shall benefit or promote the health, safety, welfare, convenience, comfort, recreation, and enjoyment of the Owners and occupants, and shall comply with the provisions of this Declaration, the laws of the State, and the Rules.

C. Hazardous Actions or Materials. Nothing shall be done or kept in or on any Lot or in or on any portion of the Common Elements that is unlawful or hazardous, that might reasonably be expected to increase the cost of casualty or public liability insurance covering the Common Elements or that might unreasonably disturb the quiet occupancy of any person residing on any other Lot. This paragraph shall not be construed so as to prohibit Declarant from construction activities consistent with its residential construction practices.

D. Signs. No signs of any character shall be erected, posted or displayed upon the Property, except: (i) marketing signs installed by Declarant while marketing the Lots and residences for sale; (ii) street and identification signs installed by the Association or Declarant; (iii) one temporary real estate sign not to exceed six square feet in area advertising that such Lot is for sale; and (iv) political signs.

E. Animals. No person may keep, breed, board or raise any animal, livestock, reptile or poultry of any kind for breeding or other commercial purpose on any Lot, or in or upon any

part of the Common Elements, unless expressly permitted by the Rules. All domestic pets shall be properly restrained and shall not be permitted to roam free or loose on the Property, other than on the Lot of the owner of such pet(s). No animal, including a domestic pet, shall be kept on the Property if the size, type or characteristics of such animal constitute a nuisance, as determined by the Board. Proper Lot maintenance as required elsewhere herein shall include the obligation to regularly remove pet waste from an Owner's Lot and from the Common Elements.

F. Nuisances. No noxious or offensive trade shall be permitted on the Property or within any dwelling located on the Property, nor shall any use be made nor condition allowed to exist on any Lot which unreasonably disturbs or interferes with the quiet occupancy of any person residing on any other Lot.

G. Business. No industry, business, trade, occupation or profession of any kind may be conducted, operated or established on the Property, without the prior written approval of the Board. This provision shall not prohibit a "home office" use, in connection with which no non-resident employees are working on the Property, and no customers, employees, subcontractors or other third parties park on the Property.

H. Storage. No open storage of any kind is permitted. No storage buildings of any kind are permitted without the express written consent of the Architectural Control Committee.

I. Hotel/Transient Uses; Leases. No Lot may be used for hotel or transient uses, including without limitation, uses in which the occupant is provided customary hotel services such as room service for food and beverage, maid service, laundry and linen service, or similar services, nor shall leases to roomers or boarders be permitted. All other leases shall be in writing and shall be subject to this Declaration, and shall be for terms of no less than six (6) months.

J. Vehicles. The Board shall be entitled to create and enforce reasonable rules concerning the parking of any vehicle permitted in the Property and/or the Common Elements. In addition to its authority to levy Lot Assessments as penalties for the violation of such rules and its authority to levy fines not to exceed \$100.00 per day in accordance with North Carolina General Statutes §47F-3-102 (11) and (12) and §47F-3-107, to the extent permitted by law, the Board shall be authorized to cause the removal of any vehicle violating such rules. No commercial vehicles, boats, trailers, campers or mobile homes shall be parked or stored on any street in Latta Woods or on any Lot (except in an enclosed structure shielded from view). The Board may permit the occasional, non-recurring parking of vehicles otherwise prohibited by the foregoing sentence, and may require as a condition of such permission that the owner of the vehicle or Lot on which it is parked substantiate that such parking is limited to less than forty-eight (48) consecutive hours, and not more than ninety-six (96) cumulative hours in any thirty (30) day period. Nothing contained herein shall prohibit the reasonable use of such vehicles as may be necessary during construction of residences on the Lots. No automobile or other motorized vehicle of any type or description which is not functionally or legally operable on public highways shall be kept, stored, operated or maintained on or in front of any Lot within Latta Woods for a period longer than seven (7) days, unless the same is entirely contained and shielded from view within a permitted structure. Any vehicle so kept, stored, operated or maintained shall be considered a nuisance, and the Board shall have the right and authority to have the same removed at the owner's expense.

The word "trailer" shall include trailer coach, house trailer, mobile home, automobile trailer, camp car, camper or any other vehicle, whether or not self-propelled, constructed or existing in such a manner as would permit (i) use and occupancy thereof as a residence, or (ii) storage or conveyance of animals, machinery, tools or equipment, whether resting on wheels, jacks, tires or other foundation. The word "commercial vehicle" shall include and mean every type of vehicle, whether or not motorized, which is designed and used exclusively or primarily for other than personal transportation of ten or fewer persons at one time. Vehicles larger than ten person passenger vans are conclusively presumed to be commercial vehicles, whereas passenger cars, passenger vans (full-sized or mini-vans), pickup trucks, sports-utility vehicles, and motorcycles are presumed to be designed and used for personal transportation. Vehicles which are not conclusively presumed to be commercial by virtue of their size, and which are used by the operator thereof for both business and personal purposes, shall not be considered "commercial vehicles" merely by virtue of advertising information painted or otherwise affixed thereto.

K. Trash. Except for the reasonably necessary activities of Declarant during the original development of the Property, no burning or storage of trash of any kind shall be permitted on the Property. All trash shall be deposited in covered, sanitary containers, screened from view and stored either inside of a permitted structure, or to the side or rear of the home constructed on the Lot.

L. Antennae. To the extent such prohibition is permitted by federal legislation, no radio, satellite dish, television or other electronic antennae or aerial may be erected or maintained on any Lot or the exterior of any Improvement, without the prior written approval of the Architectural Control Committee. Standard TV antennae and other over-the-air reception devices (including satellite dishes) of one meter (39 inches) in diameter or less shall be permitted; provided, however, that no exterior antenna, satellite dish or similar exterior improvement shall be installed upon any Lot without first providing written notice to the Architectural Control Committee. Installation of standard TV antennae and over-the-air reception devices shall comply with any and all rules and guidelines adopted by the Architectural Control Committee or the Board concerning location and general screening requirements and reasonable color blending requirements in order to minimize visual disturbance; provided, however, that such rules or regulations do not unreasonably increase the cost of installing, maintaining, or using such devices, or otherwise unreasonably delay an Owner's right to receive over-the-air signals.

M. Utility Lines. All utility lines on the Property shall be underground, subject to the requirements of relevant governmental authorities and utility companies.

N. Tanks. No tanks for the storage of propane gas or fuel oil shall be permitted to be located above or beneath the ground of any Lot except that propane gas grills are permitted.

O. Street Trees. Declarant may designate one (1) or more trees to be planted along the street in front of each Lot. If Declarant determines to designate street tree(s), then Lot Owners shall be deemed to have agreed to such uniform street trees. Each Lot Owner shall care for, and, if necessary, replace such tree or trees at the Lot Owner's expense with a like type of tree.

P. Mailboxes. All mailboxes/newspaper boxes will be of such design and specifications as are specified by the Declarant or the Architectural Control Committee.

Q. Yard Lights, Yard Ornaments, Yard Furniture and Lamp Posts. All yard lights, yard ornaments, yard furniture and lamp posts shall conform to the standards adopted by the Architectural Control Committee.

R. Fencing. The Architectural Control Committee shall have the authority to establish standards according to which fencing and walls may be permitted in Latta Woods. Said authority shall include the power to prohibit fencing or walls, or both, entirely, to prohibit or require fencing or walls of certain types, and to prohibit or require fencing or walls of certain types (or entirely) in certain areas. All fencing and walls shall conform to the standards set forth by the Architectural Control Committee, and must be approved by the Architectural Control Committee, in writing, prior to the installation thereof.

Nothing contained herein shall be interpreted or construed to permit the use of approved fencing materials to accomplish a purpose or use otherwise prohibited hereunder and in no event shall chain link or similar metal or wire fencing be permitted.

S. Swimming Pools. No above ground swimming pool extending twelve (12) inches or more above the finished grade of the Lot shall be permitted upon any Lot, except that this prohibition shall not prohibit the installation of a hot tub or sauna, subject to Architectural Control Committee review.

V. ARCHITECTURAL STANDARDS

A. Architectural Control Committee. The Architectural Control Committee shall be a board consisting of three (3) persons. Until the Turnover Date, Declarant shall have the sole and exclusive right to appoint and remove all three members of the Architectural Control Committee at will, and may elect in the exercise of its sole discretion, to act itself as the Architectural Control Committee (or appoint an agent to act in its place) in lieu of appointing individuals. After the Turnover Date, the Board shall have the right to appoint all three members to the Architectural Control Committee.

The Architectural Control Committee shall, from time to time, publish and promulgate The Latta Woods Architectural Standards (collectively, the "Architectural Standards"), including architectural, design, and landscape guidelines. The Architectural Standards shall be explanatory and illustrative of the general intent of the development of the Property and are intended as a guide to assist the Architectural Control Committee in reviewing plans and specifications for Improvements. The Architectural Standards shall also set out, among other things, the procedures for submission, review and approval of plans and specifications to the Architectural Control Committee and the fees to be imposed by the Architectural Control Committee for review of such plans and specifications as set forth in paragraph V.B. below. In any event, the Architectural Standards shall not be binding upon the Architectural Control Committee, may be revised and amended at any time by the Architectural Control Committee, in its sole discretion, and shall not constitute, in every event, the basis for approval or disapproval of plans, specifications and other materials submitted to the Architectural Control Committee for

approval. Furthermore, the Architectural Control Committee may publish and promulgate different Architectural Standards for different Phases, sections or portions of the Property. Each Owner covenants and agrees by acceptance of a deed to a Lot, to comply with, and to cause his/her Lot and any occupant thereof to comply with the Architectural Standards. No Improvement shall be placed, erected or installed on the Property, no construction (which term shall include in its definition staking, clearing, excavation, grading and other site work) and no plantings or removal of plants, trees or shrubs shall be permitted without, until and unless the Owner first obtains the written approval thereof of the Architectural Control Committee and otherwise complies with the provisions of this Declaration.

B. Modifications. Except as otherwise provide in this Declaration, the Architectural Control Committee shall have jurisdiction over all construction, modifications, additions or alterations of Improvements on or to the Property. No person shall construct any Improvement on any Lot, including without limitation, alter surfaces of existing Improvements, change paint colors or roofing materials, construct or modify fencing, or install any recreational device, without the prior written approval of the Architectural Control Committee. Owners shall submit plans and specifications showing the nature, kind, shape, color, size, materials and location of Improvements and alterations to the Architectural Control Committee for its approval. The Architectural Control Committee may charge a reasonable fee in connection with processing applications submitted pursuant to this Section. Nothing contained herein shall be construed to limit the right of an Owner to remodel or decorate the interior of his/her residence.

C. Variances. To avoid unnecessary hardship and/or to overcome practical difficulties in the application of the provisions of this Declaration, the Architectural Control Committee shall have the authority to grant reasonable variances from the provisions of Article IV, and from the provisions of this Article and from the architectural standards established pursuant to this Article, provided that the activity or condition is not prohibited by applicable law; and provided further that, in its judgment, the variance is in the best interest of Latta Woods and is within the spirit of the standards of the Architectural Control Committee. No variance granted pursuant to this Section shall constitute a waiver of any provision of this Declaration as applied to any other person or any other part of the Property.

D. Improvements by Declarant. Notwithstanding any of the foregoing to the contrary, all Improvements and landscaping constructed by Declarant or its affiliates, partners, members or shareholders shall be deemed to comply in all respects with the requirements of the Architectural Control Committee, and separate approval thereof by the Architectural Control Committee is not required.

VI. EASEMENTS AND LICENSES

A. Easement of Access and Enjoyment Over Common Elements. Every Owner shall have a right and easement (in common with all other Owners) of enjoyment in, over, and upon the Common Elements, and a right of access to and from his/her Lot, which rights shall be appurtenant to, and shall pass with the title to, his/her Lot, subject to the terms and limitations set forth in this Declaration, and subject to the Rules. An Owner may delegate his/her rights of access and enjoyment to family members, occupants, guests, licensees and invitees. All such easements are limited by such restrictions as may apply to the Common Elements affected

thereby, and no person shall have the right by virtue of such easements to engage in activities on the Common Elements which are not permitted according to (i) this Declaration, (ii) the provisions of any Plat(s), or (iii) agreements with any governmental entities or other third parties.

B. Right of Entry for Repair. The duly authorized agents, officers, contractors, and employees of the Association shall have a right of entry and access to the Property, including without limitation the Lots, for the purpose of performing the Association's rights or obligations set forth in this Declaration. The Association may enter any Lot to remove or correct any violation of this Declaration or the Rules, or to maintain, repair, and replace the Common Elements, but only during reasonable hours and after providing seventy-two (72) hours advance notice to the Owner, except in cases of emergency, where no such advance notice shall be required.

C. Easement for Utilities and Other Purposes. The Association, acting through the Board, or Declarant may convey easements over the Common Elements to any entity for the purpose of constructing, installing, maintaining, and operating poles, pipes, conduit, wires, swales, land contours, ducts, cables, and other equipment or conditions necessary to furnish electrical, gas, sanitary or storm sewer, water, telephone, cable television, and other similar utility or security services, whether of public or private nature, to the Property and to any entity for such other purposes as the Board or Declarant deems appropriate; provided that such equipment or condition(s), or the exercise of such easement rights, shall not unreasonably interfere with the Owners' use and enjoyment of the Property. The Association, acting through the Board, or Declarant may grant such easements over all portions of the Property for the benefit of adjacent properties as the Board or Declarant deems appropriate and Declarant may grant or reserve such easements over any of the Property; provided that the grant or reservation of such easements imposes no undue, unreasonable, or material burden or cost upon the Property and does not impact the building pad on a Lot or prohibit the construction of a single-family residence on a Lot; and further provided that the Association, acting through the Board, or Declarant may not convey any easement over a Lot without the prior written consent of the Owner of such Lot (which consent shall not be unreasonably delayed or withheld). Declarant shall have the absolute right within (i) areas designated as drainage courses on the Plat(s) of Latta Woods, (ii) all areas encumbered by general utility or specific storm drainage easements, and (iii) areas determined by sound engineering practice to be necessary to the proper drainage of all or part of Latta Woods, to enter upon Lots and perform grading and other construction activities deemed appropriate in the exercise of Declarant's judgment to install, modify, alter, remove or otherwise work on storm water drainage facilities and conditions (including both surface grading and subsurface structures). If any such entry and/or work performed by Declarant results in damage to other portions of a Lot, or to any improvements thereon, Declarant shall be responsible for the restoration of such portions or improvements at Declarant's sole cost.

D. Easement for Services. A non-exclusive easement is hereby granted to all police, firemen, ambulance operators, mailmen, deliverymen, garbage removal personnel, and all similar persons, and to the local governmental authorities and the Association (but not to the public in general) to enter upon the Common Elements to perform their duties.

VII. ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

A. Membership. Every Owner shall be deemed to have a membership in the Association, and by acceptance of a deed to property in Latta Woods such Owner agrees to and acknowledges being a Member of the Association. Membership is a right appurtenant to and inseparable from an Owner's fee simple title in a Lot, and such right of membership shall automatically transfer to any transferee of fee simple title to a Lot at the time such title is conveyed for the conveyance of fee simple title. The foregoing is not intended to include persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest or mortgage shall not terminate an Owner's membership. No Owner, whether one or more persons, shall have more than one membership per Lot owned. In the event an Owner consists of more than one person, such persons collectively shall have one membership in the Association in common.

B. Governance. The Association shall be governed by the Board, consisting of three (3) persons. Prior to the date that Declarant elects to transfer control of the Association to the Lot Owners (the "Turnover Date"), the members of the Board shall be appointed by Declarant, or Declarant may elect to act as the Board, or it may appoint a managing agent to act as the Board on its behalf. No Members, other than Declarant, shall have voting rights in Association matters until the Turnover Date, except to the extent mandated by the North Carolina Planned Community Act. To the extent that the North Carolina Planned Community Act requires that Members other than Declarant exercise a vote, each Developed Lot shall be entitled to one (1) vote, and each Undeveloped Lot shall be entitled to ten (10) votes. After the Turnover Date, each Lot shall be entitled to one (1) vote. The transfer of control on the Turnover Date shall take place at a meeting which shall occur within six months of the end of the year in which the Declarant ceases to own at least one (1) Lot in Latta Woods. Voting and all other matters regarding the governance and operation of the Association following the Turnover Date shall be as set forth in the Association Documents.

VIII. RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

A. Common Elements. Declarant may, from time to time, at Declarant's option, convey to the Association for the use and benefit of the Association and the Members, real or personal property, or any interest therein. The Association shall accept title to any interest in any real or personal property transferred to it by Declarant. The Association, subject to the rights of the Owners set forth in this Declaration and the Association Documents, shall be responsible for the exclusive management and control of the Common Elements, and all improvements thereon, and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, in accordance with the terms and conditions of this Declaration. Declarant and Association shall each have the right to grant easements to third parties over, across, under and/or through the Common Elements, including, but not limited to, easements for the construction, extension and/or expansion of utilities, and conservation easements, all as Declarant and/or the Association may be legally obligated or voluntarily disposed to grant.

B. Personal Property and Real Property for Common Use. The Association may acquire, hold, mortgage and dispose of tangible and intangible personal property and real property in addition to that property conveyed to it by Declarant.

C. Joint Use and Cost-Sharing Agreements. The Association may enter into agreements with any other homeowners association and/or master association whereby: (i) any other homeowners association and/or master association agrees to maintain, repair and replace the Common Elements (and any other common improvements or areas benefiting the Property) in consideration for the Association sharing in the cost thereof (the costs of which shall be Common Expenses), and (ii) the Association and any other homeowners association and/or master association grant reciprocal rights and licenses to members of each such association to use and enjoy common areas, subject to such rules, regulations, restrictions and fees as the board of directors of each homeowners association may from time to time determine.

D. Rules. The Association may make and enforce the Rules, which shall be consistent with this Declaration and the Association Documents. The Association shall have the power to impose sanctions on Owners for violations of the Rules and this Declaration, including without limitation: (i) reasonable monetary fines in accordance with the North Carolina Planned Community Act which shall be considered Lot Assessments, (ii) suspension of the right to vote as a Member of the Association, and (iii) suspension of the right to use the Common Elements. In addition, the Board shall have the power to seek relief in any court for violations or to abate unreasonable disturbances. If the Board expends funds for attorneys' fees or litigation expenses in connection with enforcing this Declaration, the Association Documents or the Rules against any Owner, tenant, guest, licensee or invitee of any Owner, the amount shall be due and payable by such Owner and shall be a Lot Assessment against such Owner's Lot.

E. Implied Rights. The Association may exercise any other right or privilege given to it expressly by the laws of the State and this Declaration, and every other right or privilege reasonably implied from the existence of any right or privilege granted in this Declaration, or reasonably necessary to implement any such right or privilege.

F. Managing Agent. The Board may retain and employ on behalf of the Association a Manager, which may be Declarant, and may delegate to the Manager such duties as the Board might otherwise be authorized or obligated to perform. The compensation of the Manager shall be a Common Expense. The term of any management agreement shall not exceed three years and shall allow for termination by either party, without cause, and without penalty, upon no more than ninety (90) days' prior written notice.

G. Insurance.

1. The Association shall obtain and maintain adequate blanket property insurance, liability insurance and flood insurance covering all or any portion(s) of the Common Elements in an amount as is commonly required by prudent institutional mortgage investors. The cost of any such insurance shall be included as a Common Expense for Association budgeting purposes.

2. The Association may, in the Board's discretion, obtain and maintain the following additional insurance: (a) fidelity bond coverage and workers' compensation insurance for all officers, directors, board members and employees of the Association and all other persons handling or responsible for handling funds of the Association, (b) adequate comprehensive general liability insurance, (c) officers' and trustees' liability insurance, (d) additional insurance

against such other hazards and casualties as is required by law, and (e) any other insurance the Association deems necessary.

3. In the event of damage or destruction of any portion of the Common Elements, the Association shall promptly repair or replace the same, to the extent that insurance proceeds are available. Each Owner hereby appoints the Association as its attorney-in-fact for such purpose. If such proceeds are insufficient to cover the cost of the repair or replacement, then the Association may levy a Special Assessment to cover the additional costs.

H. Condemnation. The Association shall represent the Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the Common Elements, or any portion thereof. Each Owner hereby appoints the Association as its attorney-in-fact for such purpose. The awards or proceeds of any condemnation action shall be payable to the Association, to be held in trust for the benefit of the Owners.

I. Books, Records. Upon reasonable request of any Member, the Association shall be required to make available for inspection all books, records and financial statements of the Association. A reasonable fee may be charged to cover the costs of handling, copying and/or delivering such books and records to a Member who requests the same.

IX. ASSESSMENTS

A. Operating and Reserve Funds. The Board shall establish an Operating Fund for financing the operation of the Association, for paying necessary costs and expenses of operating the Association and repairing and maintaining the Common Elements. The Board shall also establish a Reserve Fund to which a portion of the Annual Assessments shall be credited to cover the costs of future capital expenditures and/or other non-recurring items not intended to be funded from the Operating Fund.

B. Types of Assessments. Each Owner, by accepting a deed to a Lot, is deemed to covenant and agree to pay the following assessments, in the manner and to the extent provided herein: (i) Initial Contribution; (ii) Annual Assessments; (iii) Special Assessments; and (iv) Lot Assessments. No Owner may gain exemption from liability for any Assessment by waiving or foregoing the use or enjoyment of any of the Common Elements or by abandoning his/her Lot.

C. Initial Contribution. At the time an Owner acquires title to a Developed Lot, such Owner shall pay to the Association at the closing a one-time Initial Contribution equal to one sixth (1/6) of the current Annual Assessment for a Developed Lot as a one-time non-refundable capital contribution for the purpose of funding the Association. The Board may increase the amount of the Initial Contribution from time to time as it deems necessary. Such amount may be used for operating expenses, for capital reserves, or for any other purpose relating to the formation and operation of the Association as the Board may determine in its sole discretion.

D. Annual Assessments. The Board shall estimate the Common Expenses and the expenses, if any, it expects the Association to incur for the maintenance, operation and management of the Association, and shall assess sufficient Annual Assessments to meet this estimate. All Developed Lots shall be assessed for Annual Assessments at a uniform rate and

Undeveloped Lots shall be assessed at ten percent (10%) of the rate for Developed Lots. Annual Assessments may be prorated for any Developed Lots which were not Developed Lots for the entire calendar year. Annual Assessments shall be payable, in advance, monthly, quarterly, semi-annually or annually, as the Board shall determine. Annual Assessments shall commence the date the first Developed Lot is conveyed by Declarant to a third party Owner.

The Annual Assessment for the first assessment year shall be \$240.00 for each Developed Lot and \$24.00 for each Undeveloped Lot; provided, however, that if the first assessment year shall have fewer than twelve months, the foregoing amounts shall be proportionately reduced. The Board shall fix the amount of the Annual Assessment as to each Lot for any calendar year at least thirty (30) days prior to January 1 of such calendar year, and the Association shall send written notice of the amount of the Annual Assessment, as well as the amount of the payment due, to each Owner on or before January 5 of such calendar year. To the extent required by North Carolina General Statutes Section 47F-3-103(c) or other applicable law, such notice shall include notice of a meeting of the Members to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. If such a meeting is required by N.C. General Statutes Section 47F-3-103(c), or other applicable law, the Board of Directors shall set a date for a meeting of the Members to consider ratification of the budget to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. If such meeting is required as set forth above, there shall be no requirement that a quorum be present at the meeting. For such meetings held before the Turnover Date, the budget is ratified unless at such meeting Members exercising all of the votes in the Association reject the budget. For such meetings held after the Turnover Date, the budget is ratified unless at such meeting Members exercising a majority vote in the Association reject the budget.

The failure of the Association to send, or of a Member to receive, such notice shall not relieve any Member of the obligation to pay Annual Assessments. Notwithstanding the foregoing, for calendar years beginning prior to the Turnover Date, in lieu of payment of all or a portion of Annual Assessments against Undeveloped Lots, Declarant may pay for each such calendar year that portion of the annual expenses of the Association (excluding any reserves) which exceeds the total amount of the Annual Assessments paid by the Owners other than Declarant, and the total amount of Annual Assessments (if any) paid by Declarant, and shall receive a credit against all Annual Assessments owed for such Undeveloped Lots (in the current year or any future calendar year).

E. Special Assessments. The Board may levy against the Developed Lots a Special Assessment to pay for (i) capital expenditures or (ii) interest expense on indebtedness incurred for the purpose of making capital expenditures and not projected to be paid out of the Reserve Fund or (iii) any other extraordinary expense not included in the Association budget; provided that any such assessment shall have the assent of two-thirds (2/3) of the votes held by Members who are voting in person or by proxy at a meeting duly called for this purpose. Written notice of any meeting called for the purpose of levying a Special Assessment shall be sent to all Members not less than 10 days nor more than 60 days in advance of the meeting. A quorum must be present at any such meeting. All Developed Lots shall be assessed for Special Assessments at a uniform rate; provided, however, such rate may be prorated for any Developed Lots which were not Developed Lots for the entire calendar year. Notwithstanding anything to the contrary herein

contained, it is recognized and declared that any Special Assessment shall be in addition to and not part of any Annual Assessment, and any such Special Assessment assessed against Lots shall be paid by such Owners in addition to any Annual Assessments. Special Assessments shall be paid in installments or in a lump sum as the Board shall determine. No Undeveloped Lot shall be subject to a Special Assessment without the consent of Declarant.

F. Lot Assessments. The Board may levy a Lot Assessment against any Developed Lot(s) and the Owner(s) thereof: (i) for the purpose of paying for the cost of any construction, reconstruction, repair or replacement of any damaged component of the Common Elements, whether occasioned by any act or omission of such Lot Owner(s), members of such Lot Owner's family, or such Lot Owner's agents, guest, employees or invitees and not the result of ordinary wear and tear or (ii) for payment of fines, penalties or other charges imposed against any particular Lot Owner relative to such Lot Owner's failure to comply with the terms and provisions of this Declaration, the Bylaws or any rules or regulations promulgated by the Association or the Declarant pursuant to this Declaration or the Bylaws. Provided, however, Declarant shall not be obligated to pay any Lot Assessment except with Declarant's prior written approval. The due date of any Lot Assessment levied pursuant to this Section shall be fixed in the Board resolution authorizing such Lot Assessment. Upon the establishment of a Lot Assessment, the Board shall send written notice of the amount and due date of such Lot Assessment to the affected Owner(s) at least thirty (30) days prior to the date such Lot Assessment is due. No Undeveloped Lot may be subject to a Lot Assessment.

G. Remedies.

1. Interest; Late Charge. If any Assessment remains unpaid for 10 days after all or any part thereof shall become due and payable, the Board may charge interest on such Assessment at the lesser of the rate of 16% per annum or the highest rate permitted by law, and the Board, or the Manager, if applicable, may also collect such late charges as may have been theretofore established by the Board from time to time.

2. Liability for Unpaid Assessments. Each Assessment or installment of an Assessment, together with interest thereon and any costs of collection, including reasonable attorneys' fees, shall become the personal obligation of the Owner(s) beginning on the date the Assessment or installment thereof becomes due and payable. The Board may authorize the Association to institute an action at law on behalf of the Association against the Owner(s) personally obligated to pay any delinquent Assessment. An Owner's personal obligation for a Lot's delinquent Assessments shall also be the personal obligation of his/her successors in title who acquire title to the Lot after any Assessment becomes due and payable, and both such Owner and his/her successor in title shall be jointly and severally liable therefor. Except as otherwise provided herein, the transfer of an interest in a Lot shall neither impair the Association's lien against that Lot for any delinquent Assessment nor prohibit the Association from foreclosing that lien.

3. Liens. All unpaid Assessments, together with any interest and charges thereon or costs of collection, shall constitute a continuing charge in favor of the Association and a lien on the Lot against which the Assessment was levied. If any Assessment remains unpaid for thirty (30) days after it is due, then the Board may authorize any officer or appointed agent of

the Association to file a lien for all or any part of the unpaid balance of that Assessment, together with interest and costs (including attorney's fees), in the Office of the Clerk of Court for Durham County, North Carolina, containing a description of the Lot which the lien encumbers, the name(s) of the Owner(s) of that Lot, the amount of the unpaid portion of the Assessment, and such other information as the laws of the State may require. The lien may be signed by any officer, authorized agent or Manager of the Association. Upon the filing of the lien, the subject Lot shall be encumbered by a continuing lien in favor of the Association. The lien shall remain valid for a period of three (3) years from the date such certificate is duly filed, and unless the lien is released earlier or satisfied in the same manner provided by the law of the State, or unless the lien is discharged by the final judgment or order of any court having jurisdiction. Notwithstanding the foregoing, the lien for Assessments provided for in this Section shall be subordinate to the lien of any bona fide first mortgage on a Lot.

4. Vote on Association Matters; Use of Common Elements. If any Assessment remains unpaid for thirty (30) days after it becomes due, then the delinquent Owner's voting rights upon Association matters and privileges to use the Common Elements, except for necessary ingress and egress to his/her Lot, shall be suspended until such Assessment is paid.

X. MAINTENANCE

A. Maintenance by Association. The Association shall maintain and keep in good repair the Common Elements. This maintenance shall include, without limitation, maintenance, repair, and replacement of all landscaping and other flora, structures and Improvements situated upon the Common Elements and all personal property used in connection with the operation of the Common Elements. Further, the Association may, in its discretion and to the extent determined by the Board, choose to maintain property that it does not own, the maintenance of which would, in the opinion of the Board, benefit Latta Woods.

All costs incurred by the Association in providing services described in this Section X.A. shall be Common Expenses.

B. Maintenance by Owner. Each Owner or occupant shall repair, replace, and maintain in good order and safe and sanitary condition, at his/her expense and in accordance with the Community Standard, his/her Lot, and all portions of, improvements to, structures on, and, equipment and components used in connection with, his/her Lot, except to the extent the maintenance responsibility is otherwise expressly assumed by the Association pursuant to this Declaration or by a governmental authority. This maintenance responsibility includes, without limitation, promptly furnishing all necessary materials and performing or causing to be performed at his/her own expense all maintenance, repairs and replacements within such Lot that, if omitted, would adversely affect the safety and usefulness of the Common Elements. Each Owner shall maintain those portions of his/her Lot that are adjacent to any portion of the Common Elements in accordance with the Rules and the requirements set forth in this Declaration.

C. Right of Association to Repair Lot. In addition to imposing fines in accordance with the North Carolina Planned Community Act, if any Owner fails to maintain his/her Lot in

the manner required herein, and if the Board determines that any maintenance of that Lot is necessary to ensure public safety, to permit reasonable use or enjoyment of the Common Elements by Owners, to prevent damage to or destruction of any other part of the Common Elements or to comply with the Rules or the terms of this Declaration, then the Board may authorize its employees or agents to enter the Lot at any reasonable time to complete the necessary maintenance and the Board may levy a Lot Assessment for all reasonable expenses incurred.

D. Damage to Common Elements By Owner or Occupant. If the Common Elements are damaged by any Owner or occupant, his/her family, guests, licensees or invitees, then the Board may impose a fine in accordance with the North Carolina Planned Community Act and/or may levy a Lot Assessment against such Owner for the cost of repairing or replacing the damaged property. The Association shall be entitled to enter a Lot to repair or maintain any Common Elements adjacent to such Lot.

XI. MISCELLANEOUS

A. Term. This Declaration shall bind and run with the Property from and after the date that this Declaration is filed in the Public Records until terminated by an eighty percent (80%) vote of the Members.

B. Enforcement; Waiver. This Declaration may be enforced by any proceeding at law or in equity by Declarant, any Owner, the Association, the Architectural Control Committee, and their respective heirs, successors and assigns, against any person(s) violating, or attempting to violate, any provision of this Declaration or the Rules. The enforcement action may be to restrain and/or to enjoin a violation, to obtain a decree for specific performance as to removal of any nonconforming Improvement, and/or to recover all damages, costs of enforcement and any other costs incurred (including, without limitation, reasonable attorneys' fees). Failure of Declarant, the Association, the Architectural Control Committee or any Owner to enforce any provision of this Declaration or the Rules in any manner shall not constitute a waiver of any right to enforce any violation of such provision. By accepting a deed to a Lot, each Owner is deemed to waive the defenses of laches and statute of limitations in connection with the enforcement of this Declaration or the Rules.

C. Amendments. Until the Turnover Date, Declarant may, in its sole and absolute discretion, unilaterally amend this Declaration at any time and from time to time, without the consent of any other Owners. Any such amendment may modify the provisions hereof, and/or impose covenants, conditions, restrictions and easements upon the Property in addition to those set forth herein including, without limitation, restrictions on use and covenants to pay additional charges with respect to the maintenance and improvement of the Property; provided that no such amendment may eliminate the vote of any Member in the Association. Furthermore, to the extent required by the North Carolina Planned Community Act, this Declaration may be amended by an affirmative vote or written agreement signed by Owners to which at least eighty percent (80%) of the votes in the Association are allocated, with Owners of Developed Lots (if the North Carolina Planned Community Act requires them to be allowed to exercise a vote) being entitled to one (1) vote per Developed Lot, and with each Undeveloped Lot being entitled to ten (10) votes. In no event shall an amendment to this Declaration prior to the Turnover Date

be effective unless the Declarant has consented thereto in writing. After the Turnover Date, Declarant may unilaterally amend this Declaration, without the consent of any other Owners, if such amendment is: (a) necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, regulation or judicial order, (b) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots, (c) necessary to conform to the requirements of United States Federal Housing Administration, or (d) necessary to correct errors; provided, however, any such amendment shall not materially adversely affect the title to any Lot unless the Owner thereof has consented to such amendment in writing. No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege. Declarant shall have the right and power, but neither the duty nor the obligation, in its sole and absolute discretion and by its sole act, to subject additional property to this Declaration at any time and from time to time by executing and recording in the Public Records an amendment or supplement to this Declaration specifying that such additional property is part of the Property. An amendment or supplement to this Declaration shall not require the joinder or consent of the Association, other Owners, mortgagees or any other person, except to the extent required by the North Carolina Planned Community Act. In addition, such amendments or supplements to this Declaration may contain such supplementary, additional, different, new, varied, revised or amended provisions as may be necessary or appropriate, as determined by Declarant, to reflect and address the different character or intended development of any such additional property. This Declaration may be amended after the Turnover Date by affirmative vote or written agreement signed by Owners of Lots to which at least sixty-seven percent (67.0%) of the votes in the Association are allocated. Amendments enacted after the Turnover Date shall be executed by the Association. All amendments to the Declaration shall be recorded in the Public Records.

D. Declarant's Rights to Complete Development. Declarant shall have the right to: (a) complete the development, construction, promotion, marketing, sale, resale and leasing of Latta Woods; (b) construct or alter Improvements on any portion of the Property owned by Declarant; (c) maintain model homes, offices for construction, sales or leasing purposes, storage areas, construction yards or similar facilities on any portion of the Property owned by Declarant or the Association; or (d) post signs incidental to the development, construction, promotion, marketing, sale and leasing of property within Latta Woods. Further, Declarant or its assignee shall have the right of ingress and egress through the streets, paths and walkways located in the Property for any purpose whatsoever, including, but not limited to, purposes related to the construction, maintenance and operation of Improvements. Nothing contained in this Declaration shall limit the rights of Declarant or require Declarant or its assignee to obtain approval to: (i) excavate, cut, fill or grade any portion of the Property owned by Declarant or to construct, alter, remodel, demolish or replace any Improvements on any Common Elements or any portion of the Property owned by Declarant as a construction office, model home or real estate sales or leasing office in connection with the sale of Lots in Latta Woods; or (ii) require Declarant to seek or obtain the approval of the Association or the Architectural Control Committee for any such activity or Improvement on any Common Elements or any portion of the Property owned by Declarant. Nothing in this Section shall limit or impair the reserved rights of Declarant as elsewhere provided in this Declaration.

E. Declarant's Rights to Replat Declarant's Property. Declarant reserves the right, at any time and from time to time, to amend, alter or replat any Plat or development plan and to

amend any zoning ordinance which affects all or any portion of the Property; provided, however, that only real property owned by Declarant and Owners consenting to such amendment, alteration or replatting shall be the subject of any such amendment, alteration or replatting. The Association and each Owner whose Lot is not altered by such amendment, alteration, or replatting, for themselves and their successors and assigns, hereby consents to and approves any such amendment, alteration or replatting and shall be deemed to have joined in the same.

F. Mortgagee Rights. A holder or insurer of a first mortgage upon any Lot, upon written request to the Association (which request shall state the name and address of such holder or insurer and a description of the Lot) shall be entitled to timely written notice of:

1. any proposed amendment of this Declaration;
2. any proposed termination of the Association; and
3. any default under this Declaration which gives rise to a cause of action by the Association against the Owner of the Lot subject to the mortgage of such holder or insurer, where the default has not been cured in sixty (60) days.

Each holder and insurer of a first mortgage on any Lot shall be entitled, upon request and at such mortgagee's expense, to inspect the books and records of the Association during normal business hours.

G. Indemnification. The Association shall indemnify every officer and director of the Association, every member of the Board, and every member of the Architectural Control Committee and any other committee of the Association (collectively, the "Indemnitees") against any and all claims, liabilities, expenses, including attorneys' fees, reasonably incurred by or imposed upon any Indemnitee in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the Board) to which he/she may be a party by reason of being or having been an officer, director, board member or committee member. The Indemnitees shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misconduct, bad faith or gross negligence. The Indemnitees shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such Indemnitees may also be Members of the Association), and the Association shall indemnify and forever hold each such Indemnitee free from and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided herein shall not be exclusive of any other rights to which any Indemnitee or former Indemnitee may be entitled.

H. Severability. If any article, section, paragraph, sentence, clause or word in this Declaration is held by a court of competent jurisdiction to be in conflict with any law of the State, then the requirements of such law shall prevail and the conflicting provision or language shall be deemed void in such circumstance; provided that the remaining provisions or language of this Declaration shall continue in full force and effect.

I. Captions. The caption of each Article, section and paragraph of this Declaration is inserted only as a matter of reference and does not define, limit or describe the scope or intent of the provisions of this Declaration.

J. Notices. Notices to an Owner shall be given in writing, by personal delivery, at the Lot, if a residence has been constructed on such Lot, or by depositing such notice in the United States Mail, first class, postage prepaid, to the address of the Owner of the Lot as shown by the records of the Association, or as otherwise designated in writing by the Owner.

K. Schedule of Exhibits. Attached hereto and incorporated herein by this reference are the following exhibits (collectively, the "Exhibits"):

Exhibit A	Legal Description of the Property
Exhibit B	Annex Property

IN WITNESS WHEREOF, Declarant has caused the execution of this Declaration as of the date first above written.

M/I HOMES OF RALEIGH, LLC
a Delaware limited liability company

By: [Signature]
Name: Donald Fralcy
Title: Area President

Johnston County, North Carolina

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Donald Fralcy
(Print name of signatory in blank)

My Commission Expires:

6/24/08

[Signature]
Notary Public
Print Name: Carrie E. Anderson

[Affix Notary Stamp or Seal] -



EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

BEING all of those certain tracts or parcels of land designated as Lots 1 through 61, inclusive, and the areas designated as Open Space (Common Area), Latta Woods Cluster Subdivision as shown on plat of survey entitled "Final Plat of Latta Woods Cluster Subdivision, Lebanon Township, Durham County, North Carolina" dated April 23, 2001, prepared by Ronald D. Carpenter, Professional Land Surveyor, of Triangle Surveyors and recorded in Plat Book 152, Pages 81 and 83, Durham County Registry, which plat is referenced for a more particular description.

EXHIBIT B

DESCRIPTION OF THE ANNEX PROPERTY

1. Any land owned now or in the future by the Declarant adjacent to or near the Property.