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**DECLARATION OF
VILLAS AT CULP ARBOR CONDOMINIUM**

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

EACH PURCHASER SHALL PAY AT THE TIME OF CLOSING AN INITIAL CONTRIBUTION AS SET FORTH UNDER ARTICLE XIV, SECTION 3(d) OF THE DECLARATION AND A CONTRIBUTION TO THE WORKING CAPITAL RESERVE FUND AS SET FORTH UNDER ARTICLE XIV, SECTION 3(a)(6).

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Exhibits

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DECLARATION

This is the Declaration of Villas at Culp Arbor Condominium made by Epcon Farrington, LLC, a North Carolina limited liability company ("Declarant") on or as of the 9th day of September, 2009, pursuant to the provisions of Chapter 47C of the North Carolina General Statutes, entitled the North Carolina Condominium Act ("Condominium Act").

Recitals

A. Declarant is the owner in fee simple of all of the Condominium Property hereinafter described and the improvements thereon and appurtenances thereto.

B. The Declarant desires to create on this property a site of individually owned condominium units, and "Common Elements", and to these ends to submit this property to condominium ownership under the Condominium Act (as defined below).

C. In addition, in accordance with the terms of the Act, Declarant shall create a nonprofit, incorporated owners' association to which will be delegated and assigned powers of maintaining and administering the "Common Elements" and the "Exterior Maintenance Areas" of the "Condominium" (as those terms are defined below), of administering and enforcing the covenants and restrictions created in this Declaration, and of levying, collecting and disbursing the assessments and charges created in this Declaration, and of taking any steps or performing any acts deemed necessary or appropriate to preserve the values of condominium units within the Property and to promote the recreation, health and welfare of the Unit Owners.

Definitions

The terms used in this document shall have these meanings, unless the context requires otherwise:

1. "Additional Property" means the land and improvements thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real estate that may, at a subsequent time, be added to the Condominium Property and become a part of the Condominium pursuant to the Declarant's exercise of the development right to add real estate to the Condominium all as more particularly provided in Section 1, Article XV of this Declaration. The Additional Property is described at Exhibit G.

2. "Articles" and "Articles of Incorporation" mean the articles, filed with the Secretary of State of North Carolina, incorporating Villas at Culp Arbor Condominium Association, Inc. as a nonprofit corporation under the provisions of Chapter 55A of the North Carolina General Statutes (the State of North Carolina's enabling nonprofit corporation act).

3. "Association" and "Villas at Culp Arbor Condominium Association, Inc." mean the nonprofit corporation created by the filing of the Articles and is also one and the same as the association created for the Condominium under the Condominium Act.

4. "Board" and "Board of Directors" mean those persons who, as a group, serve as the board of directors of the Association and are also one and the same as the executive board of the Condominium established for the Condominium under the Condominium Act.

5. "Building" shall mean and refer to the four-plex, single or other configuration one story or two story buildings located upon the Condominium Property, and to any buildings which are hereinafter constructed upon any land that is later subjected to this Declaration.

6. "Bylaws" mean the bylaws of the Association, created under and pursuant to the provisions of the Condominium Act for the Condominium. A true copy of the Bylaws is attached hereto as Exhibit E and made a part hereof.

7. "Common Elements" means all of the Condominium Property, including easement over the Exterior Maintenance Area for access, maintenance and repair as described in Section 1 and Section 2 of Article XIII of this Declaration, except that portion described in this Declaration as constituting a Unit or Units, and is that portion of the Condominium Property constituting "common elements" of the Condominium under the Condominium Act.

8. "Common Elements Interest" shall mean and refer to the undivided percentage interest in the Common Elements allocated to each Unit, as set forth on Exhibit C attached hereto, the total of which shall equal one hundred percent (100%). The Common Elements Interest has been calculated based on a par value for each Unit type that is set forth on Exhibit C, which par values have been assigned on the basis of various factors, including average fair market value, replacement costs, relative size, and simplicity, and shall be used to allocate the division of proceeds, if any, resulting from any casualty loss or eminent domain proceedings, and to determine each Unit's share of Common Expenses.

9. "Common Expenses" shall mean and refer to (i) any and all expenditures made by or financial liabilities of the Association which include but are not limited to ad valorem taxes, public assessments or governmental liens levied against the Common Elements, to the extent not billed to individual Units, and (ii) any allocations to reserves, pursuant to and in accordance with this Declaration, the Bylaws, and N.C.G.S. § 47C-1-103(5).

10. "Condominium" and "Villas at Culp Arbor Condominium" mean the condominium regime for the Condominium Property created under and pursuant to the Condominium Act.

11. "Condominium Act" means Chapter 47C of the North Carolina General Statutes.

12. "Condominium instruments" means this Declaration, the Bylaws, and the Plat and Plans.

13. "Condominium Organizational Documents" means the Articles, the Bylaws, the Plat and Plans, and this Declaration.

14. "Condominium Property" means the tract of land hereinafter described as being submitted to the Condominium Act, all buildings, structures and improvements situated thereon, and all easements, rights and appurtenances belonging thereto, except as otherwise provided herein.

15. "Declarant" means whoever is designated in the recitals of this Declaration as creating the Condominium, and Declarant's successors and assigns, provided the rights specifically reserved to Declarant under the Condominium organizational documents shall accrue only to such successors and assigns as are designated in writing by Declarant as successors and assigns of such rights.

16. "Declarant Control Period" shall mean and refer to the period commencing on the date hereof and continuing until the earlier of (i) one hundred twenty (120) days after conveyance of seventy-five percent (75%) of all Units (including any Units which may be added to the Condominium upon the development of the Additional Property pursuant to Section 1, Article XV herein) to an Owner other than Declarant; (ii) two (2) years after Declarant ceases to offer Units (including any Units which may be added to the Condominium upon the development of the Additional Property pursuant to Section 1, Article XV herein) for sale in the ordinary course of business; or (iii) two (2) years after any development right to add new Units (including any Units which may be added to the Condominium upon the development of the Additional Property pursuant to Section 1, Article XV herein) was last exercised. Provided, however, and notwithstanding anything to the contrary that may appear herein, if at any time the Declarant Control Period terminates for the reason set forth in subsection (i) above, and thereafter Declarant, pursuant to Section 1, Article XV herein, elects to add the Additional Property to the Condominium and construct additional Units upon such Additional Property such that, following such addition of the Additional Property to the Declaration and such construction of additional Units, Declarant has not conveyed seventy-five percent (75%) of all Units to Owners other than Declarant, the Declarant Control Period shall be reinstated until such time as it again terminates due to one of the events of termination stated herein. There shall be no limitation on the number of times the Declarant Control Period may terminate and be reinstated in accordance with the provisions of this Section 16.

17. "Declaration" means this instrument, by which the Condominium Property is hereby submitted to the provisions of the Condominium Act.

18. "Director" and "Directors" mean that person or those persons serving, at the time pertinent, as a trustee or trustees of the Association, and mean that same person or those persons serving in the capacity of a member of the board of directors of the Association.

19. "Eligible Mortgagees" means the holders of valid first mortgages on Units who have given written notice to the Association stating their names, addresses and Units subject to their mortgages.

20. "Exterior Maintenance Area(s)" means any portion of a Unit or Units as defined in Section 2(a)(5), Article V of this Declaration. Each Unit Owner owns the Exterior

Maintenance Area, which is a part of his or her Unit in fee simple title (except for those areas referenced as Limited Common Elements on the Plans); however, the Exterior Maintenance Area is encumbered by an easement of access, maintenance and repair in favor of the Association as described in Section 1 and Section 2 of Article XIII of this Declaration.

21. "Limited Common Elements" means these Common Elements serving exclusively one Unit or more than one but less than all Units, the enjoyment, benefit or use of which are reserved to the lawful occupants of that Unit or Units.

22. "Occupant" means a person lawfully residing in a Unit, regardless whether or not that person is a Unit Owner.

23. "Person" means a natural individual, corporation, partnership, trustee, or other legal entity capable of holding title to real property.

24. "Plat and Plans" means the drawings for the Condominium, prescribed by Section 47C-2-109 of the Condominium Act. A set thereof is attached hereto, but the same may be detached and filed separately herefrom by the Register of Deeds for Durham County, North Carolina. Declarant reserves the right to subdivide or combine Units at its discretion. The Plans contain a certification by a North Carolina registered surveyor and a North Carolina licensed architect, that the Plans contain all the information required by N.C.G.S. § 47C-2-109.

25. "Special Declarant Rights" shall mean the rights reserved for the benefit of Declarant in the Condominium Documents, including all development rights, as more particularly described in Article VI of this Declaration.

26. "Unit" and "Units" mean that portion or portions of the Condominium Property designated for separate ownership or occupancy, whether or not contained solely or partially within a Building, together with its percentage of undivided interest in the Common Elements as set forth on Exhibit C together with any Additional Units which may be constructed in additional Buildings to be constructed on Additional Property subject to this Declaration (in accordance with Section I, Article XV). Each Unit is designated and delineated on the Plat and Plans of the Condominium under the provisions of the Condominium Act.

27. "Unit Owner," "Unit Owners," "Owner," and "Owners" mean that person or those persons owning a fee simple interest in a Unit or Units, each of whom is also a "member" of the Association. A Person having an interest in a Unit solely as security for an obligation shall not be considered a Unit Owner.

In addition, the definitions set forth in N.C.G.S. § 47C-1-103 are incorporated in this Declaration by reference, and the terms defined therein shall have the meanings set forth therein when used in this Declaration or the Condominium Documents, unless those terms are expressly defined otherwise in this Declaration or unless it is plainly evident from the context that a different meaning is intended.

ARTICLE I

THE LAND

A legal description of the land included in the Condominium Property, located in Durham County, North Carolina, is attached hereto and incorporated herein as Exhibit A. The liens, defects and encumbrances affecting the Condominium Property to which the rights of Unit Owners are made subject are set out at Exhibit F. The Condominium Property is subject to the terms of the Act by this Declaration.

ARTICLE II

NAME

The Condominium Property is subject to the terms of the Act by the Declaration. The name by which the Condominium shall be known is Villas at Culp Arbor Condominium.

ARTICLE III

PURPOSES: RESTRICTIONS

Section 1. Purposes. This Declaration is being made to establish separate individual Units from the Condominium Property to which fee simple interests may be conveyed; to create restrictions, covenants and easements providing for, promoting, and preserving the values of Units and the Common Elements and the well being of Unit Owners and occupants; and to establish a Unit Owners' association to administer the Condominium and the Condominium Property, to administer and enforce the covenants, easements, charges and restrictions hereinafter set forth, and to raise funds through assessments to accomplish these purposes.

Section 2. Restrictions. The Condominium and the Condominium Property shall be benefited by and subject to the following restrictions:

(a) Unit Uses. Except as otherwise specifically provided in this Declaration, and specifically as it relates to the Exterior Maintenance Area, which shall be used by the Association and all Unit owners as set forth in Section 2, Article XIII of this Declaration, no Unit shall be used for any purpose other than that of a residence for individuals living together as a single housekeeping unit, and uses customarily incidental thereto, provided, however, that no Unit may be used as a rooming house, group home, commercial foster home, fraternity or sorority house, or any similar type of lodging, care or treatment facility.

Notwithstanding the foregoing: (i) an Occupant maintaining a personal or professional library, keeping personal business or professional records or accounts, conducting personal business (provided that such use does not involve customers, employees, licensees or invitees coming to the Unit), making professional telephone calls or

corresponding, in or from a Unit, is engaging in a use expressly declared customarily incidental to residential use and is not in violation of these restrictions; (ii) it shall be permissible for the Declarant to maintain, during the period of its sale or rental of Units, one or more Units as sales and rental models and offices, and for storage and maintenance purposes, and (iii) one or more Units may be maintained for the use of the Association in fulfilling its responsibilities.

(b) Common Elements Uses; Exterior Maintenance Areas. The Common Elements and the Exterior Maintenance Areas (except the Limited Common Elements) shall be used in common by Unit Owners and occupants and their agents, servants, customers, invitees and licensees, in accordance with the purposes for which they are intended, reasonably suited and capable, and as may be required for the purposes of access, ingress to, egress from, use, occupancy and enjoyment of Units. Unless expressly provided otherwise herein, neither Common Elements nor Exterior Maintenance Areas shall be used for any purpose other than the health, safety, welfare, convenience, comfort, recreation, or enjoyment of Unit Owners and occupants. Notwithstanding the foregoing, it shall be permissible for the Declarant to maintain during the period of its sale or rental of Units, all or a portion of the Common Elements for sales and marketing offices.

(c) Limited Common Elements Uses. Those portions of the Common Elements described herein or shown on the Plat and Plans as Limited Common Elements, including the two (2) parking spaces for each Unit located in front of the two (2) car garage, which garage is part of the Unit, and including the exterior private courtyard, both of which shall be used and possessed exclusively by the Unit Owners and occupants of the Unit or Units served by the same, as specified in this Declaration, and shall be used only for the purposes intended.

(d) Visible Areas. Nothing shall be caused or permitted to be hung or displayed on the outside or inside of windows (except interior inoffensive drapes, curtains, or louvered blinds which, from exterior observation, must be white, beige or gray, or as otherwise authorized by the Board) or placed on the outside walls of a building or otherwise outside of a Unit, or any part thereof. Subject only to such federal, state and local laws and ordinances as may lawfully impose limitations on this provision, no awning, canopy, shutter or television or citizens' band or other radio antenna or transmitter, or any other device or ornament, shall be affixed to or placed upon an exterior wall or roof or any part thereof, or the exterior of any door or window, or in, on, or over a patio, porch, veranda or balcony, visible to the exterior, unless authorized by the Board.

(e) Offensive Activities. No noxious or offensive activity shall be carried on in any Unit, or upon the Common or Limited Common Elements, nor shall any be used in any way or for any purpose which may endanger the health of or unreasonably disturb any occupant.

(f) Vehicles. The Board may promulgate rules and regulations restricting or prohibiting the parking of automobiles, vans, buses, inoperable vehicles, trucks, trailers, boats and recreational vehicles on the Common Elements, and the Exterior Maintenance Areas or parts thereof, and may enforce such regulations or restrictions by levying enforcement charges, having such vehicles towed away, or taking such other lawful actions as it, in its sole discretion, deems appropriate.

(g) Renting and Leasing. No Unit or part thereof shall be rented or used for transient or hotel purposes, which such rental or use is defined as: (i) rental or use for any period less than six (6) months or under which occupants are provided customary hotel services such as room service for food and beverages, maid service, the furnishing of laundry and linen, busboy service, and similar services; or (ii) rental to roomers or boarders, that is, rental to one or more persons of a portion of a Unit only. No lease may be of less than an entire Unit. Any lease agreement shall be in writing, shall provide that the lease shall be subject in all respects to the provisions hereof, and to the rules and regulations promulgated from time to time by the Board, and shall provide that the failure by the tenant to comply with the terms of the Condominium Organizational Documents and lawful rules and regulations shall be a default under the lease. Prior to the commencement of the term of a lease the Unit Owner shall notify the Board, in writing, the name or names of the tenant or tenants and the time during which the lease term shall be in effect.

(h) Signs; Flags; Banners. No signs of any kind including insignia, display, device, political signs, or form of external evidence of advertising shall be displayed to the public view on the Condominium Property or on the Common Elements or the Exterior Maintenance Areas, except (a) on the Common Elements signs regarding and regulating the use of the Common Elements, provided they are approved by the Board; (b) on the interior side of the window of a Unit, one professionally prepared sign not in excess of nine square feet in size, advertising the Unit for sale or rent; and (c) on the Common Elements, Exterior Maintenance Areas and model Units, signs advertising the sale and/or rental of Units by the Declarant during the period of its initial sale and rental of Units, provided, if these limitations on use of signs, or any part thereof, are determined to be unlawful, only the signs described in subitem (a), above, shall be permitted after Declarant's period of initial sales and rental of Units. Commercial flags (including without limitation, the flag of the United States of America or the State of North Carolina) may only be displayed as permitted by the Board.

(i) Replacements. Any building erected to replace an existing building containing Units shall be of new construction, be of comparable structure type, size, design and construction to that replaced, and shall contain a like number of Units of comparable size to the Units in the building replaced.

(j) Structural Integrity. Nothing shall be done in any Unit, or in, on or to the Common or Limited Common Elements, which may impair the structural integrity of any improvement.

(k) Construction in Easements. No structure, planting or other material shall be placed or permitted to remain within the easements for the installation and maintenance of utilities and drainage facilities which may damage or interfere with the installation and maintenance of utility lines or which may change the direction of the flow of drainage channels in the easements or which may obstruct or retard the flow of water through drainage channels in the easement areas. The utility facilities within the easement areas shall be subject to the right of the Association to maintain the same, and its right to delegate that right to a public authority or utility.

(l) Animals. Except as hereinafter provided, no animals, livestock or poultry of any kind shall be raised, bred or kept in any Unit or on the Common Elements. Notwithstanding the foregoing, household domestic pets, not bred or maintained for commercial purposes, may be maintained in a Unit, provided that: (i) the maintaining of animals shall be subject to such rules and regulations as the Board may from time to time promulgate, including, without limitation, the right to prohibit pets entirely, to place limitations on the size, number and type of such pets, and the right to levy enforcement charges against persons who do not clean up after their pets; and (ii) the right of an occupant to maintain an animal in a Unit shall be subject to termination if the Board, in its full and complete discretion, determines that maintenance of the animal constitutes a nuisance or creates a detrimental effect on the Condominium or other Units or occupants.

(m) Conveyances. Each Unit shall be conveyed or transferred (voluntarily or involuntarily) as a separately designated and legally described freehold estate subject to the terms, conditions and provisions hereof. The undivided interest of a Unit in the Common Elements shall be deemed to be conveyed or encumbered with the Unit even though that interest is not expressly mentioned or described in the deed, mortgage or other instrument of conveyance or encumbrance. Any conveyance, encumbrance, judicial sale, or other transfer (voluntary or involuntary) of an interest in the Common Elements will be void unless the Unit to which that interest is allocated is also transferred to the same transferee. In any instrument of conveyance or creating an encumbrance, or in any other document legally describing a Unit, it shall be sufficient to lawfully describe a Unit and its interest in the Common Area by referring to the Unit designation of the Unit and the appropriate recording references of the initial page of this Declaration and the appropriate Unit file number of the Plat and Plans. The right of a Unit Owner to sell, transfer or otherwise convey that owner's Unit is not subject to any right of first refusal, and any Unit Owner may transfer that owner's Unit free of any such limitation. To enable the Association to maintain accurate records of the names and addresses of Unit Owners, each Unit Owner agrees to notify the Association, in writing, within five days after an interest in that Unit Owner's Unit has been transferred to another person. In

addition, each Unit Owner agrees to provide to a purchaser of that owner's Unit a copy of the Condominium organizational documents and all effective rules and regulations.

(n) Discrimination/Handicapped Accommodation. No action shall at any time be taken by the Association or its Board which in any manner would discriminate against any Unit Owner in favor of another. In addition, notwithstanding any provision hereof, or any rule or regulation, the Board shall make reasonable accommodation if necessary to afford a handicapped person equal opportunity to use and enjoy the Condominium Property, provided, that nothing contained herein shall be construed to mean or imply that any such accommodation be at the cost of the Association.

(o) Architectural Control. No building, fence, wall, sign or other structure or improvement shall be commenced, erected or maintained upon the Condominium Property, or any part thereof, nor shall any exterior addition to or change or alteration therein be made, until the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same shall have been submitted to and approved in writing by the Board or its designated representative or representatives, in its or their sole and unfettered discretion. Nothing visible to the exterior shall be permitted to be hung, placed, displayed or maintained in Limited Common Elements unless approved, in writing, by the Board or its designated representative or representatives, in its or their sole and unfettered discretion, or unless the same is authorized by existing rule or regulation adopted by the Board.

(p) Rules and Regulations. In addition to adopting and enforcing rules and regulations in the instances specifically hereinbefore mentioned, the Board may, from time to time, adopt and enforce such further reasonable rules and regulations as it deems necessary or desirable to promote harmony, to serve the best interests of the Unit Owners, as a whole, and the Association, and to protect and preserve the nature of the Condominium and the Condominium Property. A copy of all rules and regulations shall be furnished by the Board to the owners of each Unit prior to the time when the same shall become effective.

(q) No Timeshares. No interest in any Unit may be subjected to a time share program, as that term is defined in N.C.G.S. § 93A-41(10).

(r) Occupancy Restrictions. The Association and Unit Owners must comply with the restrictive covenants regarding occupancy restrictions which are recorded in Book 5993 at Page 878 with the Durham County Register of Deeds, North Carolina and are set forth in relevant part herein.

(1) Except as hereinafter provided, at least 90% of the occupied Units shall at all times have as a permanent Occupant therein at least one person who is 55 years of age or older (the "Qualifying Occupant"); provided, in the event of (i) the death of a person who was the sole Qualifying Occupant of a Unit; (ii) a legal separation or divorce resulting in the sole Qualifying Occupant of a Unit moving

out of the Unit, or (iii) the removal by reason of incapacitation (e.g. being placed in a nursing home) of the sole Qualifying Occupant of a Unit, then the spouse (or former spouse, in the case of a divorce) and any other members of the household occupying the Unit prior to the death, legal separation or divorce, or incapacitation of such Qualifying Occupant may continue to occupy the Unit as long as the provision for the Fair Housing Act, 42 U.S.C. §3601, et seq. (1988), as amended, and the exemption thereunder provided by 42 U.S.C. §3607(b)(2)(C) and the regulations thereunder and the State Fair Housing Act, N.C.G.S. Chapter 41A et seq. (1983) as amended and any regulations thereunder (collectively the "Fair Housing Acts") are not violated by such occupancy. For purposes of this Subsection (r), an Occupant shall not be considered a "permanent Occupant" unless such Occupant considers the Unit to be his or her primary legal residence and actually resides in the Unit for at least six months during every calendar year or such shorter period as the Unit is actually occupied by any person.

(2) The Fair Housing Acts presently only require that at least eighty percent (80%) of occupied Units in a housing facility or community be occupied by at least one person 55 years of age or older, and further, permit additional specific exemptions in calculating the number of homes considered "occupied". Declarant, so long as it owns any Unit subject to these restrictions, and the Board thereafter, whether or not controlled by appointees of Declarant, may take these limitations and exemptions, as they may exist and may be changed from time to time, into consideration in granting occupancy requirement exemption to any particular Unit from the requirements of this Subsection (r), so long as the Condominium does not thereby become disqualified as a lawful age restricted community. The provisions of this Subsection (r) are intended to be consistent with the Fair Housing Acts. Declarant, until the expiration of the Declarant control Period, or the Association, acting through its Board, shall have the power to amend this Subsection (r) without the consent of any Members or any other Person for the purpose of making this Subsection (r) consistent with the Fair Housing Acts and any judicial decisions arising thereunder or otherwise relating thereto in order to maintain the intent and enforceability of this Subsection (r). **Provided however, no other amendment of this Subsection (r) is permissible by any of the Declarant, the Association or its Board, any Unit Owner, or any other Person.**

(3) Nothing in this Subsection (r) is intended to restrict the ownership of or transfer of title to any Unit; provided, no Unit Owner may occupy the Unit unless the requirements of this Subsection (r) are met nor shall any Unit Owner permit occupancy of the Unit in violation of the provisions of this Subsection (r).

(4) The Association shall be responsible at all times for maintaining age records on all Occupants of Units. On or before January 1 of each calendar year, the Association shall conduct a census of all Occupants of Units in the

Condominium and provide a copy of the census to either of the Durham County Board of Commissioners or Durham City Council or to such other person as may be designated by either of them from time to time. The Association, through its Board, shall adopt rules and regulations to monitor and maintain compliance with the provision of this Subsection (r), including policies regarding visitors, updating of age records, the granting of exemptions pursuant to the provisions hereof, and enforcement. The Association shall periodically distribute such rules and regulations to the Unit Owners and make copies available to the Unit Owners, their tenants and mortgagees upon reasonable request.

(5) The Association, through its Board, shall have the obligation to administer and enforce the provisions of this Subsection (r) in any legal manner available, as it deems appropriate, including, without limitation, conducting a census of the Occupants of Units, requiring copies of birth certificates or other proof of age for each Occupant of the Unit to be provided to it on a periodic basis, and taking action to evict the occupants of any Unit which does not comply with the requirements and restrictions of this Subsection (r). **The Association shall enforce the provisions of the Fair Housing Acts, including, without limitation, the requirement that at least 90% of the occupied Units shall at all times have a Qualifying Occupant.** EACH UNIT OWNER HEREBY APPOINTS THE ASSOCIATION AS ITS ATTORNEY-IN-FACT FOR THE PURPOSE OF TAKING LEGAL ACTION, INCLUDING, WITHOUT LIMITATION, LEGAL ACTION TO DISPOSSESS, EVICT OR OTHERWISE REMOVE THE OCCUPANTS OF THAT OWNER'S UNIT AS NECESSARY TO ENFORCE COMPLIANCE WITH THIS SUBSECTION (R). Each Unit Owner shall fully and truthfully respond to any and all requests by the Association for information regarding the occupancy of that Owner's Unit which in the judgment of the Board are reasonably necessary to monitor compliance with the provisions of this Subsection (r).

(6) Each Unit Owner shall be responsible for ensuring compliance of that Owner's Unit with the requirements and restrictions of this Subsection (r), and the rules of the Association adopted hereunder, by that Unit and by its tenants and other Occupants of that Owner's Unit. EACH UNIT OWNER, BY ACCEPTANCE OF TITLE TO A UNIT, AGREES TO INDEMNIFY, DEFEND AND HOLD THE ASSOCIATION HARMLESS FROM ANY AND ALL CLAIMS, LOSSES, DAMAGES AND CAUSES OF ACTION WHICH MAY ARISE FROM FAILURE OF THAT UNIT OWNER'S UNIT TO SO COMPLY.

(7) Any owner of real property adjacent to the Condominium shall have the power and authority to enforce the provisions of this Subsection (r) in any legal manner available, as he or she deems appropriate.

(s) Obstruction of Common Elements and Exterior Maintenance Areas. Unit Owners, invitees, or occupants may not obstruct the Common Elements or the Exterior Maintenance Areas in any way, including, but not limited to, interfering with any utilities, roads or lawns. Unit Owners or occupants may not store anything in or on the Common Elements or the Exterior Maintenance Areas.

ARTICLE IV

IMPROVEMENT DESCRIPTIONS

Section 1. Residential Buildings.. There are three (3) residential buildings as part of Phase 1 of the Condominium, each containing four (4) dwelling units, making a total of twelve (12) dwelling units; provided, however, that Declarant reserves the right to create additional Units upon Additional Property which may be subjected to this Declaration pursuant to Section 1, Article XVII herein, or to subdivide or combine any Units in the future for any reason. The residential buildings are of traditional architectural style single story ranch type. All of the buildings in the initial phase have four-plex layouts so that each dwelling unit in a building faces in a different direction and so that the garage spaces in each building adjoin at the center of the building. Buildings with a single layout or other attached or detached configuration may be used in later phases. If all the Additional Property is developed, there will be a maximum total of two hundred forty (240) residential Units and one hundred and sixty-one (161) residential buildings in all phases of the Condominium. These buildings are of wood frame construction on concrete slabs with brick or cultured stone and wood siding and fiberglass shingle roofs. The principal materials of which these buildings are constructed are wood, glass, concrete, brick, fiberglass, shingle, and drywall. The Buildings location and dimensions are shown on the Plat and Plans.

Section 2. Other; Community Building. Each dwelling Unit has a private exterior entrance and an exterior parking area with two (2) parking spaces immediately in front of the attached garage, which parking area is a Limited Common Element appurtenant to that dwelling unit. All Units will have a private courtyard/patio, which private courtyard/patio will be a Limited Common Element appurtenant to the Unit. Certain units will have a covered porch, which covered porch will be a Limited Common Element appurtenant to the Unit. The Condominium, as part of Phase 1 of the Condominium, includes a community building built of similar architectural style and similar materials as some of the residential buildings. The community building contain two (2) offices, two restrooms, a large community meeting room, a TV/Billiard Room, a mechanical room, and an exercise room. The Condominium also contains an outdoor swimming pool, approximately twenty by forty feet. No other recreation facilities are contemplated as a part of the Condominium.

ARTICLE V

UNITS

Section 1. Unit Designations. Each of the dwelling units, each of which is called "a Unit", is designated, for Declarant's internal working purposes, by a number, corresponding with Declarant's number of the building in which that Unit is situated, a dash ("-"), and a number corresponding with the present numerical portion of the street address of that Unit. For conveyance purposes, a Unit's Identifying Number shall be identical with the assigned street address. The location and designation of each Unit is also shown on the Plat and Plans attached hereto as Exhibit B. Information concerning the Units, with a listing of proper Unit designations and Identifying Numbers for conveyancing purposes, is shown on the attached Exhibit C.

Section 2. Composition of Units.

(a) Composition. Each Unit constitutes a single freehold estate and consists of the space in the building designated by that Unit's designation on the Plat and Plans. The boundaries of each Unit (including the attached garage) are as follows:

- (1) Upper Boundary: The horizontal plane of the top surface of the wallboard in the ceilings within each Unit.
- (2) Lower Boundary: The horizontal plane of the top surface of the subflooring within each Unit.
- (3) Vertical Boundaries: The vertical planes which include the back surface of the wallboard of all walls bounding the Unit, extended to intersections with each other, and with the upper and lower boundaries.
- (4) Doors and Windows: The exterior surface of doors and the exterior surface of the glass and each window frame. Notwithstanding anything to the contrary in this Declaration, the boundaries described in this Section 2(a)(1) through (4) shall not include the Exterior Maintenance Area.
- (5) Exterior Maintenance Areas: In order to comply with the Durham County, North Carolina governmental requirements, the Vertical Boundaries, which are not abutting another Unit are extended to intersect with each other a distance of five feet (5') or more as shown on the Plans and the Upper Boundary and Lower Boundary extend with an elevation which coincides with the elevation of the Upper Boundary and Lower Boundary, respectively, to intersect with the Vertical Boundaries, as extended. The area described in the preceding sentence which encompasses the extension of the Vertical Boundaries, the Upper Boundary and Lower Boundary shall be referred to as the "Exterior Maintenance Areas" and shall specifically exclude any areas designated as Limited Common Elements in this Declaration.

As provided in N.C.G.S. § 47C-2-102(l), all furring, wallboard, plasterboard, tiles, paint, finished flooring and any other materials constituting any part of the finished surfaces of the perimeter walls, floors, and ceilings are part of the Unit. As provided in N.C.G.S. § 47C-2-102(2), if any chute, flue, duct, wire, pipe for water or sewer, conduit, bearing wall, bearing column, or any other fixture lies partially within and partially outside the designated boundaries of a Unit, any portion thereof serving only that Unit shall be a Limited Common Element allocated to that Unit, and any portion thereof serving more than one Unit, or any portion of the Common Elements, shall be a Common Element.

(b) Unit Types, Sizes, Locations and Components. All Units are of the types described on the attached Exhibit D, which also sets forth the size and composition of each type of Unit. The size of Units of each type is described in terms of "gross interior square feet", which means the area of space that constitutes a Unit, and is measured from the interior surfaces of exterior walls inward, and includes space occupied by interior partitions, space in the porch or veranda, and space in the attached garage. The type of each Unit is also set forth on Exhibit D and is shown on the Plat and Plans. Declarant reserves the right to add types of units varying in size and composition from time to time, which Unit types will be evidenced by Declarant executing and recording an amendment to this Declaration with an updated Exhibit D and further reflected on recorded Plat and Plans. Declarant currently anticipates that these Unit types may be constructed and made a part of the condominium; however, Declarant makes no assurances whatsoever that any of these Unit types shall be constructed. If constructed, these Unit types may include an optional room as agreed upon by the unit owner and Declarant at the time unit owner enters into a contract to purchase a Unit. Each Unit has its own gas furnace, hot water heater, and a fireplace. The location and composition of each Unit are also shown on the Plat and Plans. Each Unit has access over Common Elements or Exterior Maintenance Areas to a public street.

ARTICLE VI

COMMON AND LIMITED COMMON ELEMENTS

Section 1. Common Elements - Description. All of the Condominium Property, including all of the land and all improvements thereon and appurtenances thereto, except those portions labeled or described herein or on the Plat and Plans as a part of a Unit, are Common Elements.

Section 2. Limited Common Elements - Description. Those portions of the Common Elements that are labeled or designated "limited common elements" on the Plat and Plans or herein are Limited Common Elements. In the case of each Unit these Limited Common Elements consist of an exterior parking area immediately in front of the garage serving that Unit, and as shown on the Plat and Plans, a private courtyard and other improvements within that courtyard and, in the case of some units, an enclosed porch. Each such Limited Common

Elements is reserved for the exclusive use of the owners and occupants of the Unit it is designed or designated to serve.

Section 3. Undivided Interest. The undivided interest in the Common Elements of each Unit is shown on the attached Exhibit C, and, in each case, is based on a par value for each Unit type that is set forth on Exhibit C. These par values have been assigned on the basis of various factors, including average fair market values, replacement costs, relative sizes, and simplicity. Undivided interests have been adjusted at thousandths of a percent, in Declarant's discretion, so that the total of undivided interests equals exactly 100.000%. The Common Elements shall be owned by the Unit Owners as tenants in common, and ownership thereof shall remain undivided. No Unit Owner may waive or release any rights in the Common Elements. Further, the undivided interest in the Common Elements of a Unit shall not be separated from the Unit to which it appertains. The Common Elements Interest allocated to each Unit shall be changed upon the addition of new Units in accordance with this Declaration.

Section 4. Addition of Common Elements and Limited Common Elements. Declarant may add additional Common Elements and Limited Common Elements to the Condominium if Declarant elects to add the Additional Property to the Condominium in accordance with Section 1, Article XV herein.

Section 5. Special Declarant Rights. Special Declarant Rights are those rights reserved for the benefit of Declarant in the Condominium Documents, which rights may be exercised within twenty (20) years following the date of recording of this Declaration, and shall include without limitation the following rights, which are hereby reserved by Declarant:

- a. The right to complete any improvements shown on the Plans.
- b. The right to maintain sales offices, model units, sales/construction trailers and signs advertising the Condominium.
- c. The right to grant, reserve and use easements through the Common Elements and the Exterior Maintenance Areas for the purpose of completing construction, and maintaining and dedicating any additional storm water drainage facilities, utility systems and water and sewer lines across Common Element and Units. This right reserved herein shall terminate ten (10) years after the date on which the Declarant no longer owns any Condominium Property or Additional Land unless earlier terminated by Declarant.
- d. The right to appoint or remove officers of the Association or members of the Board during the Declarant Control Period.
- e. The right to subdivide or combine the Units, as provided in this Declaration.
- f. The development right to subject the Additional Property to this Declaration in accordance with Section 1, Article V herein, and to develop additional Buildings thereon, all in accordance with Section 1, Article V herein.

g. The right to exercise any other rights granted to or reserved by Declarant in the Condominium Documents.

h. The right to exercise the easements hereby reserved over the Condominium Property to provide pedestrian and vehicular traffic with ingress and egress to and from the Additional Property, and to tie into, connect to, and utilize utility facilities located on the Property for the purpose of extending such utilities to the Additional Property, in connection with the development of the Additional Property, irrespective of whether the Additional Property is to be added to the Condominium, as contemplated in Article II of this Declaration, or is to be developed as a separate development apart from the Condominium.

i. The development right to withdraw all or a portion of the Property as set forth in this Declaration.

Section 6. Transfer of Special Declarant Rights. Declarant may transfer any Special Declarant Rights created or reserved under the Condominium Documents to any person or entity, by an instrument evidencing the transfer duly recorded in the Office of the Register of Deeds for Durham County. The instrument shall not be effective unless it is executed by the transferor and the transferee. Upon the transfer of any Special Declarant Rights, the liability of the transferor and the transferee shall be as set forth in N.C.G.S. § 47C-3-104.

ARTICLE VII

UNIT OWNERS' ASSOCIATION

Section 1. Establishment of Association. The Association has been formed to be and to serve as the Unit Owners' association of the Condominium. The Declarant is presently the sole member of the Association.

Section 2. Membership. Membership in the Unit Owners' Association shall be limited to the Unit Owners, and every person or entity who is or becomes a record owner of a fee or undivided fee simple interest in a Unit is a Unit Owner and shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Unit, and transfer of a Unit shall automatically transfer membership to the transferee.

Section 3. Voting Rights. Each Unit Owner shall be entitled to one vote for each Unit owned in fee simple, and a proportionate part of a vote for ownership of an undivided fee simple interest in a Unit, provided, that unless timely challenged by an owner of a fee simple interest in a Unit, any owner of a fee simple interest in that Unit may cast the entire vote with respect to that Unit. The Board, from time to time, may suspend the right of a member to vote with respect to his, her, or its Unit for failure to pay assessments when due, or for failure to observe other of the

terms hereof, the Bylaws, or rules and regulations of the Association, pursuant to rules and regulations duly adopted by the Board from time to time.

Section 4. Board of Directors. The Board initially shall consist of those three (3) persons named as the initial Directors pursuant to the provisions of the Articles, or such other person or persons as may from time to time be substituted by Declarant. During the Declarant Control Period, Declarant reserves the right to appoint and remove any Board members; provided, however, (i) that not later than 60 days after conveyance of twenty-five percent (25%) of the Units (including any Units which may be added to the Condominium upon the development of the Additional Property pursuant to Article XV hereof) to Owners other than Declarant, at least one member and not less than twenty-five percent (25%) of the members of the Board shall be elected by Owners other than Declarant; and (ii) that not later than 60 days after conveyance of fifty percent (50%) of the Units (including any Units which may be added to the Condominium upon the development of the Additional Property pursuant to Article XV hereof) to Owners other than Declarant, not less than thirty-three percent (33%) of the members of the Board shall be elected by Owners other than Declarant. Provided, however, after the termination of the Declarant Control Period, it may be reinstated in accordance with Section 16 of the Definitions herein. Upon the expiration of the Declarant Control Period, the members of the Association shall elect six (6) Directors at least a majority of whom must be Unit Owners, each to serve for a term of one (1) year, and thereafter the Board shall have six (6) Directors.

Section 5. Authority. The Board shall have all authority and power to manage, maintain, repair, replace, alter and improve the Common Elements and Exterior Maintenance Areas and assess and collect funds for the payment thereof, and do all things, and exercise all rights provided by the Condominium Organizational Documents, or the Condominium Act, that are not specifically reserved to Unit Owners.

Section 6. Delegation of Authority; Management Contracts. The Board may delegate all or any portion of its authority to discharge its responsibilities to a managing agent. This delegation of authority and responsibility to a managing agent may be evidenced by one or more management contracts which may provide for the payment of reasonable compensation to such managing agent as a common expense, provided, however, that any agreement for professional management shall be terminable by the Association for cause on thirty (30) days' written notice; shall be terminable by either party without cause and without penalty, on not more than ninety (90) days' written notice; shall not exceed one year unless renewed by agreement of the parties for successive one-year periods; and shall be bona fide and commercially reasonable at the time entered into under the circumstances then prevailing, provided that, in the case of any professional management contract entered into before control of the Association is vested in Unit Owners other than Declarant, the contract must give the Association the right to terminate it without cause and without penalty at any time after control of the Association has been transferred to or assumed by Unit Owners other than Declarant. Subject to the foregoing, nothing contained herein shall preclude Declarant, or any other entity designated by Declarant, from being employed as managing agent. The managing agent, or the Board, if there is no managing agent, shall have the authority to enter into contracts with Declarant or an affiliate of

Declarant, as defined by an institutional first mortgagee or an agency or organization which purchases or insures first mortgages, for goods, services, or for any other thing, including, without limiting the generality of the foregoing, contracts for the providing of maintenance and repair services, provided the same are bona fide and commercially reasonable to the Unit Owners at the time entered into under the circumstances then prevailing. In any case, no agreement by the Association executed prior to the transfer to or assumption of the Association by Unit Owners other than Declarant shall extend more than one year subsequent to that transfer or assumption of control unless renewed by vote of Unit Owners pursuant to the provisions of the Bylaws.

ARTICLE VIII

MAINTENANCE AND REPAIR

Section 1. Association Responsibility. The Association, to the extent and at such times as the Board, in its exercise of business judgment, determines to allocate funds therefor, shall maintain, repair and replace all improvements constituting a part of the Exterior Maintenance Areas, Common Elements, including the Limited Common Elements, and including but not limited to utility facilities and the storm water detention pond(s) in accordance with the provisions of that certain Stormwater Facility Agreement (defined in Article XX of this Declaration) and the provisions of Article XX of this Declaration serving more than one Unit, utility lines in the Common Elements or Exterior Maintenance Areas, lawns, shrubs, trees, walkways, drives, parking areas, exterior fireplace chimneys, and the structural portions and exterior portions of all buildings and improvements which are a part of the Exterior Maintenance Areas, Common Elements, including the Limited Common Elements, and that do not constitute part of a Unit (except for the Exterior Maintenance Areas), provided that the Association shall not be responsible for the cleaning and housekeeping of Limited Common Elements or components thereof or the repair or maintenance of improvements thereon such as air conditioning units, fountains, fire pits, and other improvements installed with the approval of the Board (the "Owner's Improvements") on Limited Common Elements in accordance with Article III, Section 2(o) and Section 2(p) of this Declaration. The Association shall maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements a part of the Exterior Maintenance Areas, Common Elements, including the Limited Common Elements. Except to the extent, if any, that a loss is covered by insurance maintained by the Association, the Association shall not have responsibility to repair or maintain any Unit, or component thereof, or personal property within a Unit.

Section 2. Individual Responsibility. Each Unit Owner shall repair and maintain the Unit or Units, and all components thereof, (except for the Exterior Maintenance Areas) owned by that Unit Owner, and perform cleaning and housekeeping with respect to Limited Common Elements appurtenant to that Owner's Unit and repair and maintenance with respect to Owners' Improvements. Without limiting the generality of the foregoing, this repair and maintenance responsibility of a Unit Owner shall include repair, maintenance, and replacement of all windows, screens, and doors, including the frames, sashes and jambs, and the hardware therefore

even if located within the Exterior Maintenance Area. In the event a Unit Owner shall fail to make a repair or perform maintenance required of that Unit Owner, or in the event the need for maintenance or repair of any part of the Exterior Maintenance Areas, Common Elements or Limited Common Elements is caused by the negligent or intentional act of any Unit Owner or Occupant or is as a result of the failure of any Unit Owner or his, her or its predecessors in title to timely pursue to conclusion a claim under any warranty, express, implied, or imposed by law, the Association may perform the same, and if the cost of such repair or maintenance is not covered by insurance, whether because of a deductible or otherwise, the cost thereof shall constitute a special individual Unit assessment, as set forth in Section 3(c) of Article XIV of this Declaration, on the Unit owned by that Unit Owner and on that Unit Owner. The determination that such maintenance or repair is necessary, or has been so caused, shall be made by the Board.

Section 3. Wetland Ordinances and Regulations; Tree Save Areas. Portions of the Condominium Property may have been designated as "Wetlands" by the U.S. Army Corps of Engineers and may be shown as Wetlands on the recorded maps of the Condominium Property. The areas designated as Wetlands must be maintained as Wetlands by the Association in compliance with any applicable laws, ordinances and regulations governing Wetlands until such time as changes to such laws, ordinances and regulations allow these areas to be maintained or developed in a condition or state other than as previously required of areas designated as Wetlands. Portions of the Condominium Property may be designated as "Tree Save Areas" on the recorded maps of the Condominium Property and shall be maintained by the Association as such in compliance with any applicable laws, ordinances and regulations governing Tree Save Areas until such time as changes to such laws, ordinances and regulations allow these areas to be maintained or developed in a condition or state other than as previously required of areas designated as Tree Save Areas.

Section 4. Impervious Surfaces and Storm Water Management. The Condominium Property is subject to the rules and regulations of Durham County, the City of Durham, and the North Carolina Department of Environmental Health and Natural Resources concerning impervious surfaces, soil erosion and storm water drainage. The Unit Owners of all portions of the Condominium Property, including Units and Common Elements, and Exterior Maintenance Areas, are subject to and must comply with these regulations.

ARTICLE IX

UTILITY SERVICES

Each Unit Owner by acceptance of a deed to a Unit agrees to pay for utility services for gas and electric separately metered or separately charged by the utility company to that Unit, and to reimburse the Association for that owner's Unit's share of any utility cost for water and sewer that the Board reasonably determines is attributable to use by that owner's Unit. All other utility costs shall be common expenses and paid by the Association, including, without limitation, expenses related to the cost of repair, replacement, reconstruction and maintenance of storm water drainage facilities as more particularly set forth in Article XX of this Declaration.

ARTICLE X

INSURANCE: LOSSES

Section 1. Fire and Extended Coverage Insurance. The Board shall have the authority to and shall obtain insurance for all buildings, structures, fixtures and equipment, and common personal property and supplies now or at any time hereafter constituting a part of the Exterior Maintenance Areas, Common Elements, the Limited Common Elements, or common property of the Association, against loss or damage by fire, lightning, and such other perils as are ordinarily insured against by standard extended coverage endorsements, and all other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available, issued in the locale of the Condominium Property, or, if the policy does not include an "all risks" endorsement, a policy that includes the "broad form" covered causes of loss, in amounts at all times sufficient to prevent the Unit Owners from becoming co-insurers under the terms of any applicable coinsurance clause or provision and not less than one hundred percent (100%) of the current insurable replacement cost of such items (exclusive of land, foundations, footings, excavations, and other items normally excluded from coverage). This insurance shall also:

- a. provide coverage for built-in or installed improvements, fixtures and equipment that are part of a Unit, and shall provide for coverage of interior walls, windows and doors and the frames, sashes, jambs and hardware therefor, even though these improvements may be parts of Units;
- b. have (i) an agreed amount and inflation guard endorsement, when that can be obtained, (ii) building ordinance or law endorsement, if any building, zoning, or land-use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs, providing for contingent liability from the operation of building laws, demolition costs, and increased costs of construction; and, (iii) when applicable, a steam boiler and machinery coverage endorsement, which provides that the insurer's minimum liability per accident at least equals the lesser of Two Million Dollars or the insurable value of the Building or Buildings housing the boiler or machinery (or a separate stand-alone boiler and machinery coverage policy);
- c. provide that no assessment may be made against a first mortgage lender, or its insurer or guarantor, and that any assessment under such policy made against others may not become a lien on a Unit and its appurtenant interests superior to a first mortgage;
- d. be written in the name of the Association for the use and benefit of the Unit Owners, or its authorized representative, including any insurance trustee with whom the Association has entered into an insurance trust agreement, or any successor to such trustee, for the use and benefit of the individual Unit Owners;
- e. contain or have attached the standard mortgagee clause commonly accepted by institutional first mortgage holders, insurers, and guarantors, which (i) must provide

that the carrier shall notify the named insured and each first mortgagee named in the mortgage clause at least ten days in advance of the effective date of any reduction in, cancellation of, or substantial change in the policy, and (ii) must be endorsed to provide that any loss shall be paid to the Association (or its insurance trustee), as a trustee for each Unit Owner and each such Unit Owner's mortgagee, and, unless otherwise prohibited by a nationally recognized institutional first mortgage holder, insurer, or guarantor, to the holders of first mortgages on Units;

f. provide that the total insurance after application of deductible shall not be less than eighty percent (80%) of the replacement cost of the Common Elements and Exterior Maintenance Areas;

g. be paid for by the Association, as a Common Expense;

h. contain a waiver of subrogation of rights by the carrier as to the Association, its officers and Directors, and all Unit Owners;

i. provide that the insurance shall not be prejudiced by any acts or omissions of individual Unit Owners who are not under the control of the Association;

j. be primary, even if a Unit Owner has other insurance that covers the same loss; and

k. provide that each Unit Owner is an insured person under the policy with respect to liability arising out of his or her interest in the Common Elements or membership in the Association.

Section 2. Liability Insurance. The Association shall obtain and maintain, at the Association's cost and as a common expense, a commercial policy of general liability insurance covering all of the Exterior Maintenance Areas, Common Elements, public ways and any other areas under the Association's supervision, and Units, if any, owned by the Association, even if leased to others, insuring the Association, the Directors, and the Unit Owners and Occupants, with such limits as the Board may determine, but no less than the greater of (a) the amounts generally required by institutional first mortgage holders, insurers, and guarantors for projects similar in construction, location and use, and (b) One Million Dollars, for bodily injury, including deaths of persons, and property damage, arising out of a single occurrence. This insurance shall contain a "severability of interest" provision, or, if it does not, an endorsement which shall preclude the insurer from denying the claim of a Unit Owner because of negligent acts of the Association, the Board, or other Unit Owners, and shall include, without limitation, coverage for legal liability of the insureds for property damage, bodily injuries and deaths of persons resulting from the operation, maintenance or use of the Exterior Maintenance Areas and Common Elements, and legal liability arising out of lawsuits related to employment contracts in which the Association is a party. Each such policy must provide that it may not be canceled or substantially modified, by any party, without at least ten days' prior written notice to the

Association and to each holder of a first mortgage on a Unit and must include the requirements set forth in Section 1(h) through Section (k) of this Article X.

Section 3. Fidelity Coverage. The Board may, as it may deem necessary, obtain and maintain, at the Association's cost and as a common expense, fidelity insurance providing coverage for the Association against dishonest acts on the part of directors, managers, employees, agents, and volunteers responsible for or handling funds belonging to or administered by the Association. Any such fidelity insurance policy must name the Association as the named insured and shall be written in an amount sufficient to provide protection, which is in no event less than the greater of (a) an amount equal to the Association's reserve funds plus three months' assessments on all Units, or (b) the maximum amount that will be in the custody of the Association or its managing agent at any time while the policy is in force. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers. Any such policy shall provide that it shall not be canceled or substantially modified (including cancellation for non-payment of premium) without at least ten days' prior written notice to the Association, and any insurance trustee, and any servicer on behalf of any holder, guarantor, or insurer of any mortgage on a Unit who requires such rights.

Any management agent who handles funds of the Association shall maintain a policy of fidelity insurance providing coverage no less than that required of the Association, which bond or insurance policy names the Association as an additional obligee.

Section 4. Hazard Insurance Carrier. Each policy of hazard insurance obtained pursuant hereto shall be obtained from an insurance company authorized to write such insurance in the State of North Carolina which has a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's *Insurance Reports*, an "A" or better general policyholder's rating *and* a financial size category of "VIII" or better in Best's *Insurance Reports-International Edition*, an "A" or better rating in Demotech's *Hazard Insurance Financial Stability Ratings*, a "BBB" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's *Insurer Solvency Review*, or a "BBB" or better claims-paying ability rating in Standard and Poor's *International Confidential Rating Service*. Insurance issued by a carrier that does not meet the foregoing rating requirements will be acceptable if the carrier is covered by reinsurance with a company that meets either one of the A.M. Best general policyholder's ratings or one of the Standard and Poor's claims-paying ability ratings mentioned above.

Section 5. Other Association Insurance. In addition, the Board may purchase and maintain, at the Association's cost and as a common expense, contractual liability insurance, directors' and officers' liability insurance, and such other insurance as the Board may determine.

Section 6. Insurance Representative; Power of Attorney. There may be named, under any policy obtained by the Association, as an insured on behalf of the Association, its authorized representative, including any trustee with whom the Association may enter into any insurance trust agreement (but the Association shall be deemed to be the insurance trustee in the absence of

any such agreement), or any successor to such trustee, who shall have exclusive authority to negotiate losses under any such policy. Each Unit Owner, by acceptance of a deed to a Unit, irrevocably appoints the Association or such designated representative, or such successor, as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. The Association, or such designated representative, or such successor, shall receive, hold, or otherwise properly dispose of any proceeds of insurance, in trust, for Unit Owners and their first mortgage holders, as their interests may appear. This power is for the benefit of each and every Unit Owner, and their respective first mortgage holders, and the Association, and the Condominium, runs with the land, and is coupled with an interest.

Section 7. Unit Owners' Insurance. Any Unit Owner or occupant may carry such insurance in addition to that provided by the Association pursuant hereto as that Unit Owner or occupant may determine, subject to the provisions hereof, and provided that no Unit Owner or occupant may at any time purchase individual policies of insurance against loss by fire or other casualty covered by the insurance carried pursuant hereto by the Association. In the event any Unit Owner or occupant violates this provision, any diminution in insurance proceeds resulting from the existence of such other insurance shall be chargeable to the Unit Owner who acquired or whose occupant acquired such other insurance, who shall be liable to the Association to the extent of any diminution and/or loss of proceeds. Without limiting the foregoing, a Unit Owner or occupant may obtain insurance against liability for events occurring within a Unit, losses with respect to personal property and furnishings, and losses to improvements owned by the Unit Owner or occupant, provided that if the Association obtains insurance for permanent improvements and built-in fixtures and equipment, then the insurance obtained by the Unit Owner with respect to improvements within the Unit shall be limited to the type and nature of coverage commonly referred to as "tenants' improvements and betterments." All such insurance separately carried shall contain a waiver of subrogation rights by the carrier as to the Association, its officers and Directors, and all other Unit Owners and Occupants.

Section 8. Sufficient Insurance. In the event the improvements forming a part of the Exterior Maintenance Areas and the Common Elements or any portion thereof shall suffer damage or destruction from any cause or peril insured against and the proceeds of any policy or policies insuring against such loss or damage and payable by reason thereof shall be sufficient to pay the cost of repair or restoration or reconstruction, then such repair, restoration or reconstruction shall be undertaken by the Association and the insurance proceeds shall be used in payment therefor; provided, however, that in the event that within sixty (60) days after such damage or destruction the Unit Owners and eligible mortgagees, if they are entitled to do so pursuant to the provisions of this Declaration, shall elect to terminate the Condominium, then such repair, restoration or reconstruction shall not be undertaken.

Section 9. Insufficient Insurance. In the event the improvements forming a part of the Exterior Maintenance Areas or Common Elements or any portion thereof shall suffer damage or

destruction from any cause or peril which is not insured against, or, if insured against, the insurance proceeds from which shall not be sufficient to pay the cost of repair, restoration or reconstruction, then, unless the Unit Owners and eligible mortgagees if they are entitled to do so pursuant to the provisions of this Declaration, shall elect within sixty (60) days after such damage or destruction not to make such repair, restoration or reconstruction, the Association shall make repairs, restoration or reconstruction of the Exterior Maintenance Areas or Common Elements so damaged or destroyed at the expense (to the extent not covered by insurance) of all Unit Owners in proportion to their respective undivided interests in the Common Elements. Should any Unit Owner refuse or fail after reasonable notice to pay that Unit Owner's share of such cost in excess of available insurance proceeds, the amount so advanced by the Association shall be assessed against the Unit of such Unit Owner and that assessment shall have the same force and effect, and, if not paid, may be enforced in the same manner as herein provided for the nonpayment of assessments.

Section 10. Lender Requirements. Notwithstanding the foregoing provisions of this Article, the Association shall at all times maintain hazard insurance, liability insurance, and fidelity insurance coverage conforming with the requirements then governing the making of a first mortgage loan, or the purchase, guaranty, or insurance of first mortgages, by national institutional lenders, guarantors or insurers of first mortgage loans on condominium units, including the requirements of the Federal National Mortgage Association and the Federal Housing Administration.

ARTICLE XI

DAMAGE: RESTORATION: REHABILITATION AND RENEWAL: TERMINATION

Section 1. Restoration of Substantial Damage or Destruction. In the event of substantial damage to or destruction of all Units in a residential building, or the taking of one or more Units in any condemnation or eminent domain proceedings, the Association shall promptly restore or replace the same, unless an election is made not to do so, as hereinafter provided.

Section 2. Election Not to Restore; Termination. The Association may, with the consent of Unit Owners entitled to exercise not less than eighty percent (80%) of the voting power of Unit Owners, and the consent of eligible mortgagees hereinafter provided, both given within sixty (60) days after damage or destruction, determine not to repair or restore the damage or destruction, and to terminate the Condominium. In any such an event, all of the Condominium Property shall be sold as upon partition. In the event of such an election not to repair or restore substantial damage or destruction or reconstruct such Unit or Units, the net proceeds of insurance paid by reason of such damage or destruction, or the net amount of any award or proceeds of settlement arising from such proceedings, together with the proceeds received from the sale as upon partition, or in the case of an election otherwise to terminate the Condominium, the net proceeds from the partition sale, shall be distributed among the owners of the Units, and the holders of their respective first mortgage liens, (as their interests may appear), in the proportions of their undivided interests in the Common Elements.

Section 3. Rehabilitation and Renewal. The Association, with the consent of Unit Owners entitled to exercise not less than eighty percent (80%) of the voting power of Unit Owners, and the consent of eligible mortgagees hereinafter provided, may determine that the Condominium is obsolete in whole or in part and elect to have the same renewed and rehabilitated. The Board shall thereupon proceed with such renewal and rehabilitation and the cost thereof shall be a common expense.

ARTICLE XII

CONDEMNATION

Section 1. Standing. Except as hereinafter provided, the Association, or its designated representative, or authorized successor, as trustee, shall represent the Unit Owners in any condemnation or eminent domain proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of all or any part of the Condominium Property, and shall have the sole and exclusive right to settle losses with the condemning authority and to receive the award or proceeds of settlement, for the use and benefit of the Unit Owners and their mortgagees as their interests may appear. Notwithstanding the foregoing, in the event that a Unit Owner may lawfully separately pursue and realize upon a claim for incidental and consequential losses or damage to that Unit Owner resulting from a taking under the power of eminent domain, such as for relocation and moving expenses, loss of favorable mortgage terms, and other such individual incidental or consequential losses, that Unit Owner may, at his, her or its election, separately pursue such claim, provided, that the pursuing of the same, or the realization of an award thereof, neither jeopardizes, in any way, an action by the Association to recoup the losses incurred by it, or any other Unit Owner, or the direct loss with respect to the Unit itself, or with regard to the usability thereof, nor diminishes any award for any such loss.

Section 2. Use of Proceeds. The award or proceeds of settlement in any actual or threatened condemnation or eminent domain proceedings, after reduction of the costs, if any, incurred in obtaining the same, shall be applied first to the cost of restoring or replacing all damaged or taken improvements on the remaining Condominium Property in accordance with the Plat and Plans, or in accordance with any new plans and specifications therefor approved by Unit Owners exercising no less than seventy-five percent (75%) of the voting power of Unit Owners, and the consent of eligible mortgagees hereinafter provided.

Section 3. Insufficient Proceeds. If the award or proceeds are insufficient for such purpose, the excess cost shall be paid by the Association and, to the extent funds of the Association are insufficient therefore, in the judgment of the Board, such excess cost shall be a common expense and assessed among the Units in the same manner as special assessments for capital improvements are assessed. Except as hereinafter provided, the balance of any such award or proceeds of settlement, if there is an excess, shall be allocated and disbursed to the Unit Owners, and their first mortgagees, as their interests may appear, in proportion to the relative undivided interests of the Units in the Common Elements.

Section 4. Non-Restorable Unit. Notwithstanding the foregoing, in the event that as a result of any such taking, and consequent restoration or replacement, any Unit could not reasonably be restored to a condition comparable to that which existed prior to the taking, or could not be replaced, prior to the allocation and disbursement of any sum to any other Unit Owner or his, her or its mortgagee, there shall be allocated and disbursed from such award or proceeds, to each Unit Owner whose Unit cannot be so restored or replaced, and his, her or its respective first mortgagee, as their interests may appear, such amount as is equal to the then fair market value of the Unit that cannot be so restored or replaced. Thereupon, such Unit or Units, and the owners thereof, shall be immediately and automatically divested of any interest in the Condominium, the Condominium property, and the Association, including, without limiting the generality of the foregoing, divestment of an undivided interest, vote, membership in the Association, and liability for common expenses. All such rights and interests shall be reallocated among all other Units and Unit Owners in the same relative proportions as those rights and interests were prior to such taking. To illustrate, upon a Unit being divested from the Condominium, (a) the voting right of that Unit will be equally allocated among all other Units, since each Unit prior thereto had an equal vote, and (b) the undivided interest of that Unit will be reallocated among all other Units in the proportions of their relative undivided interests prior to such taking.

Section 5. Power of Attorney. Each Unit Owner, by acceptance of a deed to a Unit, appoints the Association, or its designated representative, as his, her or its attorney-in-fact to represent that Unit Owner, settle losses, receive and utilize the award or proceeds of settlement, and do all things necessary or desirable for such attorney-in-fact to exercise the rights and fulfill the responsibilities of the Association set forth in this Article with respect to condemnation or eminent domain proceedings. This power is for the benefit of each and every Unit Owner, each holder of a first mortgage on a Unit, the Association, and the real estate to which it is applicable, runs with land, is coupled with an interest and is irrevocable.

ARTICLE XIII

GRANTS AND RESERVATIONS OF RIGHTS AND EASEMENTS

Section 1. Easements of Enjoyment; Limitations. Every Unit Owner shall have a right and easement of enjoyment in, over and upon the Common Elements and the Exterior Maintenance Areas and an unrestricted right of access to and from his, her or its Unit, which rights and easements shall be appurtenant to and shall pass with the title to a Unit, subject to the right of the Board to make reasonable rules and regulations concerning the use and management of the Exterior Maintenance Areas, Common Elements and the Limited Common Elements, provided that no such rule or regulation shall limit or prohibit the right of ingress and egress to a Unit, or any part thereof, or to that Unit's parking facilities or the right of ingress and egress and right to repair and maintain that Unit's air conditioning systems. Each Unit Owner shall be deemed to have delegated that Unit Owner's right of enjoyment to the Exterior Maintenance Areas and Common Elements for the ingress and egress to the occupants of that owner's Unit.

Section 2. Right of Entry for Repair, Maintenance and Restoration. The Association, or any Person authorized by it, shall have a right of entry and access to, over, upon and through all of the Condominium Property, including each Unit (and the Exterior Maintenance Areas) and the Limited Common Elements, to enable the Association to perform its obligations, rights and duties pursuant hereto with regard to maintenance, repair, restoration and/or servicing of any items, things or areas of or in the Condominium Property. In the event of an emergency, the Association's right of entry to a Unit (except for the Exterior Maintenance Areas) and its appurtenant Limited Common Elements may be exercised without notice; otherwise, the Association shall give the owners or occupants of a Unit no less than twenty-four hours advance notice prior to entering a Unit (except for the Exterior Maintenance Areas where no notice shall be given) or its appurtenant Limited Common Elements.

Section 3. Easements for Encroachments. Each Unit and the Common Elements and Limited Common Elements shall be subject to and benefited by easements for encroachments on or by any other Unit and upon the Common Elements and Limited Common Elements created or arising by reason of overhangs; or by reason of deviations in construction, reconstruction, repair, shifting, settlement, or other movement of any portion of the improvements; or by reason of errors on the Plat and Plans. Valid easements for these encroachments and for the maintenance of same, as long as the physical boundaries of the Units after the construction, reconstruction, repairs, etc. will be in substantial accord with the description of those boundaries that appears herein or on the Plat and Plans, shall and do exist so long as the encroachments remain.

Section 4. Easement for Support. Every portion of a Building or utility line or any improvement on any portion of the Condominium Property contributing to the support of another Building, utility line or improvement on another portion of the Condominium Property shall be burdened with an easement of support for the benefit of all other such Buildings, utility lines, improvement and other portions of the Condominium Property.

Section 5. Easements for Proper Operations. Declarant, its successors and assigns, until the Condominium Property and the Additional Property are developed hereby reserves, and the Association at any time, may grant easements to the Association shall exist upon, over and under all of the Condominium Property for ingress to and egress from, and the installation, replacing, repairing and maintaining of, all utilities, including, but not limited to water, sewer, gas, telephone, electricity, security systems, master television antennas and cable television, and the road system and all walkways, and for all other purposes necessary for the proper operation of the Condominium Property. By these easements it shall be expressly permissible for the Association to grant to the appropriate public authorities and/or the providing companies and contractors permission to construct and maintain the necessary appurtenances and improvements on, above, across and under the Condominium Property, so long as such appurtenances and improvements do not unreasonably interfere with the use and enjoyment of the Condominium Property. Should any public authority or other company furnishing a service request a specific easement, permit, or license, the Board shall have the right to grant such easement, permit, or license without conflicting with the terms hereof. In addition, in the event the Board determines that the grant of easement rights to others is in the best interests of the Association, the

Association shall have the right to grant the same, provided that use of the same would not, in the sole judgment of the Board, unreasonably interfere with the use and enjoyment of the Condominium Property by owners and occupants.

Section 6. Easement for Services; Community-Wide Services. Non-exclusive easements are hereby granted for the benefit of applicable governmental agencies, including without limitation, to all police, fire fighters, ambulance operators, mail carriers, delivery personnel, garbage and trash 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 and the Exterior Maintenance Areas in the performance of their duties, including for installing, removing, and reading water meters, maintaining and replacing water, sewer and drainage facilities, and for other purposes consistent with public safety and welfare, subject to such reasonable rules and regulations as the Board may establish, from time to time.

As provided in the Stormwater Facility Agreement (defined in Article XX of this Declaration), Declarant hereby establishes and grants to the City of Durham, including employees, agents and contractors of the City, a perpetual, nonexclusive easement over the Common Elements and the Units to the extent necessary to permit the City to inspect, repair and perform other work on the stormwater facilities and for exercising any other rights of the City as provided in the Stormwater Facility Agreement or this Declaration.

Declarant further establishes and grants to the City and County of Durham, including employees, agents and contractors of the City and County, a perpetual, nonexclusive easement over the Common Elements and Units to the extent necessary to permit the City of Durham access, ingress, egress and regress, to and from all storm water management facilities installed within the Condominium Property for the purpose of inspection, repair and other work on the stormwater facilities and for exercising any of the other rights of the City and County as provided in the Stormwater Facility Agreement, regulations and ordinances, and this Declaration.

Declarant granted an easement pursuant to that certain Deed of Easement recorded April 30, 2009 in Book 6204 at page 806 in the Durham County Register of Deeds by and between Declarant and Time Warner Entertainment – Advance/Newhouse Partnership, though its Durham division, doing business as Time Warner Cable, its successors and assigns (“Time Warner”) to provide certain community wide systems and install certain community wide systems. The “Community Wide Systems” shall mean the internal and external wiring, poles, conduits, molding, pipes, antennas, servers, switch equipment, software, central processing units and other facilities and equipment for the provision of multi-channel cable television and other video and/or sound services, internet and other services to the Condominium. Neither the Association nor any Unit Owner shall have any interest in the Community Wide Systems until Declarant so designates as described below. Any or all such services may be provided either directly through the Association paid for as part of the Assessments or directly to the Declarant or to the service provider by the Unit Owner who receives the services. The Community Wide Systems to the extent owned by the Declarant shall be the property of the Declarant until transferred to the Association. In recognition that interruptions in cable television and other services will occur

from time to time, Declarant and the Association disclaim any and all liability in connection with such interruptions and no user of any system or services shall be entitled to any refund, rebate, discount or offset in any applicable fees, for any interruption of services, regardless of whether or not the same is caused by reasons within the control of the Declarant or the Association. Notwithstanding anything to the contrary set forth in this Declaration, upon written notice by the Declarant to the Association of its intention to designate the Community Wide Systems as Common Elements and assign the Residential Services Agreement to the Association, no acceptance or consent by the Owners or the Association shall be necessary. The Association by such assignment agrees to undertake the obligations and duties under the Residential Services Agreement and upon designation of the Community Wide System owned by Declarant such Community Wide Systems shall be Common Elements. The Association shall accept the Community Wide Systems in its "as-is," "where is" condition, and subject to all matters of record, but free and clear of all deeds of trusts or other monetary encumbrances except for the obligations set forth in the Residential Services Agreement.

Section 7. Easements Reserved to Declarant: Easements Granted by Declarant. Non-exclusive easements are hereby reserved to Declarant, its successors and assigns, over and upon the Exterior Maintenance Areas, the Common Elements and Limited Common Elements (a) for a ten (10) year period of time from the date of the closing by Declarant of the first sale of a Unit to a bona fide purchaser, for access to and for the purpose of completing improvements, including utilities, storm water drainage facilities and other installations shown or to be shown on plats of the Condominium Property. for which provision is made in this Declaration, provided that such right of access shall be to the extent, but only to the extent, that access thereto is not otherwise reasonably available, (b) for the periods provided for warranties hereunder or by law, for purposes of making repairs required pursuant to those warranties or pursuant to contracts of sale made with Unit purchasers, and (c) for the initial sales and rental period, but for no longer than ten (10) years from the time of the closing of the first sale of a Unit to a bona fide purchaser, to maintain and utilize one or more Units and appurtenances thereto, for sales and management offices and for storage and maintenance, and model Units, parking areas for sales and rental purposes, and advertising signs.

In addition, a non-exclusive perpetual easement is hereby reserved to Declarant, its successors and assigns, for their benefit and the benefit of future owners and occupants of the area into which the Condominium may be expanded (the Additional Property) for pedestrian and vehicular access over the streets and walkways that may from time to time be a part of the Condominium Property, for ingress to and egress from the Additional Property, and each part thereof, and a public street, and to extend the same onto the Additional Property. The Association, at all times, shall maintain an unimpeded route of vehicular and pedestrian ingress and egress over and upon the Condominium Property to and from the Additional Property and a public street. Additionally, Declarant, for itself and its successors and assigns, reserves the right so long as it or its successors control the Condominium Property or the Association, to extend utility lines from the Common Elements onto the Additional Property, and thereafter to service and maintain the same.

All rights and easements reserved to Declarant, its successors and assigns, pursuant to this section, shall be exercised and utilized, as the case may be, in a reasonable manner, and in such way as not to unreasonably interfere with the operation of the Association and the rights of owners and occupants of Units.

Section 8. Power of Attorney. Each Unit Owner, by acceptance of a deed to a Unit, appoints the Association or its designated representative, as his, her or its attorney-in-fact, to execute, deliver, acknowledge and record, for and in the name of such Unit Owner, such deeds of easement, licenses, permits, and other instruments as may be necessary or desirable, in the sole discretion of the Board, or its authorized representative, to further establish or effectuate the foregoing easements and rights. This power is for the benefit of each and every Unit Owner, the Association, and the real estate to which it is applicable, runs with the land, is coupled with an interest, and is irrevocable.

Section 9. General. The easements and grants provided herein shall in no way affect any other recorded grant or easement. Failure to refer specifically to any or all of the easements and/or rights described in this Declaration in any deed of conveyance or in any mortgage or other evidence of obligation shall not defeat or fail to reserve said rights or easements but the same shall be deemed conveyed or encumbered, as the case may be, along with the Unit.

ARTICLE XIV

ASSESSMENTS AND ASSESSMENT LIENS: RESERVE FUNDS

Section 1. Types of Assessments. The Declarant for each Unit within the Condominium hereby covenants and agrees, and each Unit Owner by acceptance of a deed to a Unit (whether or not it shall be so expressed in such deed) is deemed to covenant and agree, to pay to the Association. (a) Annual Operating Assessments, (b) Special Assessments for Capital Improvements, and (c) Special Individual Unit Assessments, all of such Assessments to be established and collected as hereinafter provided and as further provided in Article XX of this Declaration with regard to stormwater facilities and devices.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote and provide for the health, safety, and welfare of Unit Owners and occupants and the best interests of the Condominium Property.

Section 3. Elements; Apportionment; Due Dates.

(a) Annual Operating Assessments.

(1) Prior to the time any Unit Owner is to be charged assessments by the Association, and in any event within sixty (60) days after the first closing of the sale of a Unit by Declarant and prior to the beginning of each fiscal year of the Association after the period for which the assessments are first levied, the Board

shall estimate, and prorate among all Units and their owners on the basis of a par value allocation for each Unit type as described in this Declaration of each Unit in the Common Elements, common expenses of the Association, consisting of, among other things, the following:

a. the estimated next fiscal year's cost of the maintenance, repair, and other services to be provided or paid for by the Association;

b. the estimated next fiscal year's costs for insurance premiums to be provided and paid for by the Association;

c. the estimated next fiscal year's costs for utility services not separately metered or charged to Unit Owners;

d. the estimated amount required to be collected to maintain a working capital reserve fund, to assure availability of funds for normal operations of the Association, in an amount deemed adequate by the Board;

e. an amount deemed adequate by the Board to maintain a reserve for the cost of unexpected repairs and replacements of capital improvements and for the repair and replacement of major improvements for which cash reserves over a period of time in excess of one year ought to be maintained; and

f. the estimated next fiscal year's costs for the operation, management and administration of the Association, including, but not limited to, fees for property management, fees for legal and accounting services, costs of mailing, postage, supplies and materials for operating the Association, and the salaries, wages, payroll charges and other costs to perform these services, and any other costs constituting common expenses not otherwise herein specifically excluded.

g. the estimated amount required to be collected to comply with the Stormwater Facility Agreement (defined in Article XX of this Declaration) and the requirements set forth in Article XX of this Declaration.

(2) The Board shall thereupon allocate to each Unit that Unit's share of all of these items, prorated in accordance with each respective Unit's undivided interest in the Common Elements, and thereby adopt the budget for the annual operating assessment for each separate Unit. For administrative convenience, any such assessment may be rounded so that monthly installments will be in whole dollars. Within thirty (30) days after adoption of any proposed budget for the Condominium, the Board shall provide a summary of the budget to all the Owners. To the extent required by law, such notice shall include notice of a meeting of the Owners 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 law, the Board shall set a date for a meeting of the Owners to consider

ratification of the budget to be held not less than fourteen (14) nor more than thirty (30) days after mailing of the summary and notice. If such meeting is required as set forth above, there shall be no requirement that a quorum be present at the meeting. The budget will be ratified unless (a) if such vote is taken during the Declarant Control Period, at such meeting Owners exercising at least ninety percent (90%) of the votes of the Association reject the budget; or (b) if such vote is taken after the Declarant Control Period, at such meeting owners exercising at least a majority of the votes in the Association reject the budget. The failure of the Association to send, or of an Owner to receive, such notice shall not relieve any Owner of the obligation to pay assessments. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board. At no time shall a proposed budget be less than the budget then in place unless approved by 100% of the Owners.

(3) The due dates of any installments of assessments shall be established by the Board, or, if it fails to do so, an equal monthly pro rata share of the annual operating assessment for a Unit shall be due the first day of each month, provided that nothing contained herein shall prohibit any Unit Owner from prepaying assessments in annual, semiannual, or quarterly increments.

(4) If the amounts so collected are, at any time, insufficient to meet all obligations for which those funds are to be used, the deficiency shall be assessed by the Board among the Units on the same basis as heretofore set forth, provided, that if common expenses are incurred by the Association prior to the time the Association commences to levy assessments against Units, Declarant shall pay the same (subject to its right, if any, to reimbursement from Unit purchasers contained in individual contracts for the sale of a Unit or Units).

(5) If assessments collected during any fiscal year are in excess of the funds necessary to meet the anticipated expenses for which the same have been collected, the excess shall be retained as reserves, or as reductions in future assessments, as determined by the Board, in its sole discretion, and shall in no event be deemed profits nor available, except on dissolution of the Association, for distribution to Unit Owners.

(6) So long as the Declarant is in control of the Association, Declarant shall not use any part of the working capital reserve fund to defray Declarant's expenses, reserve contributions or construction costs, or to make up any budget deficits. Each Unit's share of the working capital reserve fund shall be collected at the time the sale of the Unit is closed. As of the date of execution of this Declaration, the working capital reserve amount required to be collected at closing is zero. This amount may change from time to time as determined by the Board in its sole discretion.

(b) Special Assessments for Capital Improvements.

(1) In addition to the annual operating assessments, the Association, acting through its Board may levy at any time, special assessments to construct, reconstruct or replace capital improvements on the Exterior Maintenance Areas or Common Elements and to reconstruct storm water facilities and devices, to the extent that reserves therefor are insufficient, provided that new capital improvements not replacing existing improvements (except new capital improvements required to comply with applicable law or governmental regulation, or to correct any deficiency or defect creating a safety or health hazard to occupants) shall not be constructed nor funds assessed therefor, if the cost thereof in any fiscal year would exceed an amount equal to five percent (5%) or more of that fiscal year's budget, provided, however, that any such Special Assessment must be approved by not less than seventy-five percent (75%) of the voting power of Unit Owners at a meeting duly held in accordance with the provisions of the Bylaws.

(2) Any such assessment shall be prorated among all Units in proportion to their respective undivided interests in the Common Element, and shall become due and payable on such date or dates as the Board determines following written notice to the Unit Owners.

(c) Special Individual Unit Assessments. The Association, acting through its Board shall levy assessments against an individual Unit, or Units, and the owner or owners thereof, to reimburse the Association for those costs incurred in connection with that Unit or Units properly chargeable by the terms hereof to a particular Unit (such as, but not limited to, the cost of making repairs the responsibility of a Unit Owner, and a Unit Owner's interest, late charge, enforcement, and arbitration charges). Any such assessment shall become due and payable on such date as the Board determines, and gives written notice to the Unit Owners subject thereto. Additionally, during the first years of the Condominium's existence, and until such time as real estate taxes and assessments are split into separate tax bills for each Unit, the Association shall have the right to pay the real estate taxes and assessments attributable to the Condominium Property in the event the same have not been paid, when due, and assess each Unit Owner for his, her or its share of such real estate taxes and assessments as a special individual Unit assessment. The share of those taxes and assessments attributable to a Unit shall be computed by multiplying the total taxes and assessments for all of the Condominium Property by the undivided interest in Common Elements attributable to that Unit. The calculation by the Association of the Units' shares of taxes and assessments shall be binding upon all Unit Owners.

(d) Initial Contribution at Closing. The Association shall collect from each purchaser of a Unit at the time of closing (both initial sales by Declarant and subsequent re-sales) an initial contribution equal to \$500.00 for Common Expenses or such other

amount as may be determined by the Board from time to time. Such funds shall not be considered advance payments of assessments. Such funds may be used for certain prepaid items, equipment and supplies, and for such other purposes as the Board may determine.

(e) Stormwater Facility. The budget of the Association shall at all times contain a line item for routine, yearly inspections, maintenance and repairs and a separate increasing reserve fund for major repairs and eventual reconstruction of the stormwater facilities and devices, all as more particularly described in Article XX of this Declaration.

Section 4. Effective Date of Assessment. Any Assessment created pursuant hereto shall be effective, provided it is created as provided herein, if written notice of the amount thereof is sent by the Board to the Unit Owner subject thereto at least ten (10) days prior to the due date thereof, or if to be paid in installments, the due date of the first installment thereof. Written notice mailed or delivered to a Unit Owner's or Unit Owners' Unit shall constitute notice to that or those Unit Owners, unless the Unit Owner or Unit Owners have delivered written notice to the Board of a different address for such notices, in which event the mailing of the same to that last designated address shall constitute notice to that Unit Owner or those Unit Owners. Each Unit Owner shall pay to the Association formed pursuant to this Declaration any assessments or any fees required hereunder.

Section 5. Effect of Nonpayment of Assessment; Remedies of the Association.

(a) If any installment of an assessment is not paid within at least ten (10) days after the same is due, the entire unpaid balance of the assessment shall immediately become due and payable, without demand or notice, unless the Board, in its sole discretion, determines not to accelerate the installments.

(b) If any installment of an assessment is not paid within at least ten (10) days after the same is due, the Board, at its option, and without demand or notice, may (i) charge interest on the entire unpaid balance (including the accelerated portion thereof) at such rate as the Board, from time to time, establishes by rule; or if the Board fails to establish a rate by rule, at the rate of eight percent (8%) per annum, (ii) charge a reasonable, uniform late fee, as established from time to time by the Board, by rule, and (iii) charge the cost of collection, including attorney fees and other out-of-pocket expenses.

(c) Annual operating assessments and both types of Special Assessments, and Special Individual Unit Assessments, together with interest, late fees, and costs, including attorney fees, shall be a charge in favor of the Association upon the Unit against which each such assessment is made

(d) At any time after any assessment or an installment of an assessment levied pursuant hereto remains unpaid for thirty (30) or more days after the same has become due and payable, a certificate of lien for the unpaid balance of that assessment, including all future installments thereof, interest, late fees, and costs, including attorney fees, may be filed in the Office of the Clerk of Superior Court for Durham County, pursuant to authorization given by the Board. The certificate shall contain a description or other sufficient legal identification of the Unit against which the lien exists, the name or names of the record owner or owners thereof, and the amount of the unpaid portion of the assessments and charges, and shall be signed by the president or other chief officer of the Association.

(e) The lien provided for herein shall become effective from the time a certificate of lien or renewal certificate was duly filed therefor, and shall continue for a period of five (5) years unless sooner released or satisfied, or discharged by the final judgment or order of a court in an action brought to discharge the lien.

(f) Each such assessment together with interest, late fees, and costs, including attorney fees, shall also be the joint and several personal obligation of the Unit Owners who owned the Unit at the time when the assessment fell due. The obligation for delinquent assessments, interest, late charges and costs shall not be the personal obligation of that owner or owners' successors in title unless expressly assumed by the successors, or required by applicable law, provided, however, that the right of the Association to a lien against that Unit, or to foreclose any lien thereon for these delinquent assessments, interest, late charges and costs, shall not be impaired or abridged by reason of the transfer, but shall continue unaffected thereby, except as provided in Section 6 of this Article.

(g) The Association, as authorized by the Board, may file a lien or liens to secure payment of delinquent assessments, interest, late fees, and costs, including attorney fees, bring or join in an action at law against the owner or owners personally obligated to pay the same, and an action to foreclose a lien, or anyone or more of these. Any foreclosure action involving a Unit or Units shall be entitled to become a purchaser at the foreclosure sale. In any such foreclosure action, interest and costs of such action (including attorneys' fees) shall be added to the amount of any such assessment, to the extent permitted by North Carolina law.

(h) No claim of the Association for assessments and charges shall be subject to setoffs, off sets, or counterclaims.

(i) No owner may waive or otherwise escape liability for the assessments provided for in this Declaration by non-use of the Exterior Maintenance Areas or Common Elements, or any part thereof, or by abandonment of his, her or its Unit.

(j) Assessments shall run with the land, are necessary to continue the care, repair and maintenance of Units and their undivided interests in the Condominium, and to

continue to provide utility and security service, and, accordingly, assessments accruing or becoming due during the pendency of bankruptcy proceedings shall constitute administrative expenses of the bankrupt estate.

Section 6. Subordination of the Lien to First Mortgages. The lien of the assessments and charges provided for herein shall be subject and subordinate to the lien of any duly executed first mortgage on a Unit recorded prior to the date on which such lien of the Association was docketed in the Office of the Clerk of Superior Court, and any holder of such first mortgage which comes into possession of a Unit pursuant to the remedies provided in the mortgage, foreclosure of the mortgage, or deed or assignment in lieu of foreclosure, and any purchaser at a foreclosure sale, shall take the property free of any claims for unpaid installments of assessments and charges against the mortgaged Unit which became due and payable prior, in the case of foreclosure, to the date of the sale, and, in all other cases, to the date legal title vested in the successor owner. The foregoing will not relieve any successor owner from the obligation for assessments accruing thereafter.

Section 7. Certificate Regarding Assessments. The Board shall, upon demand, for a reasonable charge, furnish a certificate signed by the president, treasurer, secretary or other designated representative of the Association, setting forth whether the assessments on a specified Unit have been paid. This certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 8. Books and Records. The Association shall maintain current copies of: (a) the Condominium Documents, as they may be amended from time to time, (b) any rules and regulations adopted by the Association from time to time; and (c) all financial records of the Association, as required by N.C.G.S. § 47C-3-118. These items shall be available for inspection, during normal business hours and upon reasonable advance notice. All financial and other records, including records of meetings of the Owners and the Board, shall be made available, during reasonable business hours, for examination by any Owner and the Owner's authorized agents at the principal office of the Association, as required by the Bylaws and Chapter 55A of the North Carolina General Statutes. The Association shall keep accurate records of all cash receipts and expenditures and all assets and liabilities. The Association shall make an annual income and expense statement and balance sheet available to all Owners at no charge within seventy-five (75) days after the close of the fiscal year to which the information relates. A more extensive compilation, review or audit of the Association's books and records for the current or immediately preceding fiscal year may be required by a vote of the majority of the Board or by the affirmative vote of a majority of the holders of votes in the Association present and voting in person or by proxy at any Annual Meeting or any Special Meeting duly called for that purpose.

ARTICLE XV

EXPANSIONS

Section 1. Reservation of Expansion Option. Declarant expressly reserves the development right to elect to expand the Condominium Property by adding the Additional Property to the Condominium together with all improvements which may be constructed by Declarant thereon, but only within the limitations, and subject to the terms, set forth in this Article.

Section 2. Limitations on Option. Declarant has no limitations on its option to expand the Condominium Property except as provided in this Article, or elsewhere in this Declaration, and except as otherwise so expressly limited, has the sole right, power, and authority to expand the Condominium Property.

Section 3. Maximum Expansion Time. Except as hereinafter provided, Declarant's option to expand the Condominium Property must be exercised by and shall expire and terminate at the end of twenty (20) years from the date this Declaration is filed for record.

Section 4. Legal Description. A legal description, by metes and bounds, or otherwise of all of the property that is part of the Additional Property and land that, through exercise of Declarant's option, may be added to the Condominium Property by submission to the Condominium Act as part of this condominium, is attached hereto as Exhibit G, incorporated herein by reference and, together with any improvements placed thereon and added hereto, is referred to herein as the "Additional Property".

Section 5. Composition of Portions Added. Neither all nor any portion of the Additional Property must be added to the Condominium Property, nor, if any of the Additional Property is added, shall it be required that a particular portion of the Additional Property must be added, provided that portions added meet all other requirements set forth in this Article and provided, further, that all improvements in the Additional Property added to the Condominium Property shall be substantially completed prior to the addition. There are no limitations fixing the boundaries of portions added, or regulating the order in which portions are added.

Section 6. Time for Adding Portions. Portions of the Additional Property may be added to the Condominium Property from time to time, and at different times, within the time limits previously described.

Section 7. Improvement Location Limitations. There are no established or defined limitations as to the location of any improvements that may be made on any portion of the Additional Property added to the Condominium Property except such limitations as may then be in effect by reason of the laws and lawful rules and regulations of the appropriate governmental bodies and authorities having jurisdiction.

Section 8. Maximum Number of Units. The maximum total number of Units that may be created on the Additional Property and added to the Condominium Property is two hundred and twenty-eight (228) provided, that the foregoing shall neither limit nor restrict nor be so construed as to limit or restrict the number of dwelling units or other improvements that may be constructed on all or any portion of the Additional Property that is not added to the Condominium Property. Subject to the foregoing total maximum of Units that may be added to the Condominium Property, there is no limit as to the maximum number of units per acre that may be created on any portion of the Additional Property added to the Condominium Property other than as may, from time to time, be imposed by law.

Section 9. Non-Residential Uses. No Units may be created on the Additional Property or portions thereof and added to the Condominium Property that are not restricted exclusively to residential use.

Section 10. Compatibility of Structures. All structures erected on all or any portion of the Additional Property and added to the Condominium Property may not be consistent and compatible with structures then on the Condominium Property in terms of structure type, quality of construction, the principal materials to be used, and architectural style, and design.

Section 11. Improvements Other than Structures. If all or a portion of the Additional Property is added to the Condominium Property, drives, sidewalks, yard areas, and other improvements similar to those then on the Condominium Property shall be constructed on that Additional Property, and no other non-structural improvements. Improvements other than structures added to the Condominium Property shall not include improvements except of substantially the same kind, style, design, and quality as those improvements then on the Condominium Property.

Section 12. Types of Units. All Units that are created on all or any portion of the Additional Property and added to the Condominium Property may not be of the same types as the types of Units then on the Condominium Property, or as otherwise described herein, changes may occur with regard to interior layout, design or finish detail, size, attached or detached product type.

Section 13. Limited Common Elements. Declarant reserves the right with respect to all or any portion of the Additional Property added to the Condominium Property to create Limited Common Elements therein. The precise size and number of such newly created Limited Common Elements cannot be ascertained precisely, because those facts will depend on how large each portion added may be, the size and location of the buildings and other improvements on each portion, and other factors presently undetermined.

Section 14. Supplementary Drawings. Attached hereto and marked Exhibit B is the Plat and Plans showing the location and dimensions of the presently completed Condominium Property. At such time as Declarant adds all or any portion of the Additional Property to the Condominium Property it shall file drawings with respect to the Additional Property as required by the Condominium Act.

Section 15. Procedures for Expansion. All or any portion of the Additional Property shall be added to the Condominium Property by the execution and filing for record by the Declarant, or its successor as owner of the portion added and as assignee of the right to expand the Condominium, in the manner provided by the Condominium Act, of an amendment to the Declaration that contains the information and drawings with respect to the Additional Property and improvements thereon added required by the Condominium Act. Notwithstanding anything to the contrary set forth in this Declaration, no joinder or consent of Unit Owner or Mortgagee or any other party other than Declarant shall be required for any such amendment to the Declaration to be effective.

Section 16. Effects of Expansion. Except as hereinafter specifically provided otherwise, upon the recording with the appropriate county recorder of an amendment to the Declaration adding all or any portion of the Additional Property to the Condominium Property:

a. the added portion shall thereafter be subject to and benefited by all of the terms and provisions hereof, to the same extent and with the same effect as if that added portion had been provided herein as constituting part of the Condominium Property, that is, the rights, easements, covenants, restrictions, and assessment plan set forth herein shall run with, bind, and benefit the added portion in the same manner, to the same extent, and with the same force and effect as the terms of this Declaration apply to the Condominium Property, provided, that non-exclusive easements are reserved to Declarant, its successors and assigns, over and upon the Exterior Maintenance Areas, Common Elements and Limited Common Elements in property added to the Condominium (i) for a ten (10) year period of time from the date of the closing by Declarant of the first sale of a Unit in that property added to a bona fide purchaser, for access to and for the purpose of completing improvements in that portion added, (ii) for the periods provided for warranties, or by law, for purposes of making repairs required pursuant to warranties, and (iii) for the initial sales and rental period for Units in that property added, but for no longer than ten (10) years from the time of closing of the first sale of a Unit in that property added to a bona fide purchaser, to maintain and utilize one or more of those Units and appurtenances thereto, for sales and management offices and for storage and maintenance, and model Units, parking areas for sales and rental purposes, and advertising signs.

b. the owner or owners of a Unit or Units in the added portion shall thereupon become members, to the same extent, with the same effect, subject to the same obligations, and imbued with the same rights, as all other members, including, without limiting the generality of the foregoing, one vote for each Unit owned by that owner or owners;

c. the undivided interests of Units in the Common Elements, as so expanded, shall be reallocated on the basis of par values for each type of Unit, as set forth on Exhibit D and to the extent the type of Unit is not yet identified, as determined by Declarant, so that the undivided interest of each Unit added shall be the same as each

other Unit of the same type, subject to the right of Declarant to make adjustments, of thousandths of a percent, so that the total of all interests equals precisely 100%.; and

d. in all other respects, all of the provisions of this Declaration shall include and apply to such additional portions, and to the owners, mortgagees, and lessees thereof, with equal meaning and of like force and effect.

Notwithstanding the foregoing, for administrative convenience, assessments with respect to Units added to the Condominium shall not commence until the calendar month next following the calendar month in which the amendment adding those Units is recorded in the Office of the Register of Deeds.

ARTICLE XVI

NOTICES TO AND VOTING RIGHTS OF LENDING INSTITUTIONS

Section 1. Notices. Any eligible mortgagee, upon written request to the Association (which request states the name and address of such eligible mortgagee and the Unit designation), shall be entitled to timely written notice by the Association of:

(a) any proposed addition to, change in, or amendment of the Condominium organizational documents of a material nature, including any addition to, change in, or amendment of any provision establishing, providing for, governing, or regulating. (i) voting rights; (ii) increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens, or priority of such liens; (iii) reductions in reserves for maintenance, repair, and replacement of Exterior Maintenance Areas or Common Elements; (iv) responsibility for maintenance and repairs; (v) reallocation of interests in the Common Elements (including the Limited Common Elements), or rights to their use; (vi) redefinition of boundaries of any Unit; (vii) convertibility of Units into Common Elements or vice versa; (viii) expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium; (ix) hazard or fidelity insurance requirements; (x) imposition of any restrictions on the leasing of Units, (xi) imposition of any restrictions on a Unit Owner's right to sell or transfer that owner's Unit; (xii) if the Condominium consists of fifty (50) or more Units, a decision by the Association to establish self-management if professional management had been required previously by the Condominium instruments or by an eligible mortgagee; (xiii) restoration or repair of the Condominium Property after damage or partial condemnation in a manner other than specified in the Condominium instruments; (xiv) termination of the legal status of the Condominium after substantial destruction or condemnation occurs; or (xv) expressly benefiting mortgage holders, insurers, or guarantors. No addition to, change in, or amendment of the Condominium organizational documents shall be considered material if it is for the purpose of correcting technical errors, or for clarification only.

(b) any proposed decision or action that: (i) terminates professional management and establishes self-management when professional management has been required previously by an eligible mortgagee; (ii) causes restoration or repair of the Condominium Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Condominium organizational documents; (iii) substantial damage or destruction not be restored; (iv) the Condominium Property be renewed or rehabilitated; (v) significant new capital improvements not replacing existing improvements be constructed; or (vi) would, without addition to, change in, or amendment of the Condominium organizational documents, make any change with respect to the items described in subparagraph (a) of Section 1 of this Article.

(c) any condemnation or casualty loss that affects either a material portion of the Condominium Property or the Unit securing its mortgage: (ii) any delinquency for sixty (60) days in the payment of assessments or charges owed by the owner of any Unit on which it holds the mortgage: (iii) any lapse, cancellation, or material modification of any insurance policy maintained by the Association: and (iv) any proposed action that requires the consent of a specified percentage of eligible mortgagees. A holder, insurer or guarantor of a first mortgage lien on a Unit which has sent a written request to the Association stating both its name and address and the Unit designation or address of the Unit on which it holds, insures or guarantees the mortgage shall be entitled to timely written notices of the events described in this subsection (c).

Section 2. Voting Rights. No action with respect to which eligible mortgagees are entitled to notice, as provided in subparagraphs (a) or (b) of Section 1 of this Article, may be taken without the consent of the eligible mortgagees of Units to which at least fifty-one percent (51%) of the votes of the Units subject to mortgages held by eligible mortgagees appertain, provided, further, that no action to terminate the Condominium or that would have that effect other than by reason of substantial destruction or condemnation of the Condominium Property, shall be taken without the consent of eligible mortgagees of Units to which at least seventy-five percent (75%) of the votes of the Units subject to mortgages held by eligible mortgagees appertain.

ARTICLE XVII

AMENDMENTS

Section 1. Power to Amend. Except as otherwise specifically provided herein and in particular except in connection with Declarant's unilateral right to amend the Declaration to subject Additional Property to the terms and provisions of this Declaration and except as may be allowed pursuant to Section 47C-2-117 of the Condominium Act, additions to, changes in, or amendment of this Declaration (or other Condominium Organizational Document) shall, in addition to the consents required of eligible mortgagees, if any, as hereinbefore provided, require the consent of Unit Owners exercising not less than sixty-seven percent (67%) of the voting power of Unit Owners. Notwithstanding the foregoing:

(a) the consent of all Unit Owners shall be required for any amendment effecting a change in:

- i. the boundaries of any Unit;
- ii. the undivided interest in the Common Elements appertaining to a Unit or the liability for common expenses appertaining thereto;
- iii. the number of votes in the Association appertaining to any Unit;
- iv. the fundamental purposes to which any Unit or the Common Elements are restricted; or
- v. the provisions or requirements set forth in Article III, Section 2(g) of this Declaration or which would impair, restrict, limit or prohibit the ability of an Owner to rent a Unit or Units;

(b) the consent of Unit Owners exercising not less than eighty percent (80%) of the voting power of Unit Owners shall be required to terminate the Condominium;

(c) in any event, Declarant reserves the right and power, and each Unit Owner by acceptance of a deed to a Unit is deemed to and does give and grant to Declarant a power of attorney, which right and power is coupled with an interest and runs with the title to a Unit and is irrevocable (except by Declarant), for a period of three (3) years from the date of the filing of the Declaration, to amend the Condominium Organizational Documents, to the extent necessary to (i) conform to the requirements then governing the making of a mortgage loan or the purchase, guaranty, or insurance of mortgages by an institutional lender or an institutional guarantor or insurer of a mortgage of a Unit, provided that the appropriate percentage (as described elsewhere herein) of eligible mortgagees is obtained (if required), or (ii) correct typographical errors or obvious factual errors or omissions the correction of which would not impair the interest of any Unit Owner, mortgagee, insurer, or guarantor, provided, further, that if there is a Unit Owner other than the Declarant, the Declaration shall not be amended to increase the scope or the period of control of the Declarant; and

(d) The provisions of Sections 3 and 4 of Article XIX of this Declaration may not be amended without the written consent of the "Bound Parties" (as defined in Section 3 and 4 of Article XIX of this Declaration).

No amendment to this Declaration shall be adopted or passed which shall impair or prejudice any rights reserved by or granted to Declarant hereunder, including without limitation any easements reserved by or granted to Declarant, any Special Declarant Rights or the right to subject Additional Property to this Declaration, without the written consent of Declarant. During the Declarant Control Period, no amendment to this Declaration shall be effective without the

written consent of Declarant. With respect to any amendment to this Declaration which requires the consent of any Mortgagee, Declarant or the Association (as applicable) shall request the consent of such Mortgagee in writing and the notice shall be delivered by certified or registered mail, with a "return receipt" requested. If such Mortgagee does not respond to said written request within sixty (60) days, the consent of such Mortgagee shall be deemed obtained.

Section 2. Method to Amend. An amendment to this Declaration (or the Plat and Plans or the Bylaws), adopted with the consents of Unit Owners and eligible mortgagees hereinbefore required, shall be executed with the same formalities as to execution as this Declaration by two officers of the Association and shall contain their certification that such amendment was duly adopted in accordance with the foregoing provisions. Any amendment adopted by the Declarant or a duly empowered successor Declarant pursuant to authority granted it pursuant to the Declaration shall be duly executed by it with the same formalities as to execution as this Declaration and shall contain the certification of such signor or signors that such amendment is made pursuant to authority vested in Declarant or any duly empowered successor Declarant by the Declaration. Any amendment duly adopted and executed in accordance with the foregoing provisions shall be effective upon the filing of the same in the Office of the Register of Deeds for Durham County, North Carolina.

ARTICLE XVIII

GENERAL PROVISIONS

Section 1. Covenants Running With the Land. The covenants, conditions, restrictions, easements, reservations, liens and charges created hereunder or hereby shall run with and bind the land, and each part thereof, shall be binding upon and inure to the benefit of all parties having any right, title or interest in or to all or any part of the Condominium Property, and the Association, and their respective heirs, executors, administrators, successor and assigns.

Section 2. Actions. In addition to any other remedies provided in this Declaration, Declarant, (only with respect to those rights directly benefiting the Declarant), the Association, and each Unit Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, easements, reservations, liens and charges set forth herein or in the Bylaws or now or hereafter imposed by or through the Association's rules and regulations. Failure by Declarant, the Association or by any Unit Owner to proceed with such enforcement shall in no event be deemed a waiver of the right to enforce at a later date the original violation or a subsequent violation, nor shall the doctrine of laches nor any statute of limitations bar the enforcement of any such restriction, condition, covenant, reservation, easement, lien or charge. Further, the Association and each Unit Owner shall have rights of action against each other for failure to comply with the provisions of the Condominium Organizational Documents, rules and regulations, and applicable law, and with respect to decisions made pursuant to authority granted thereunder, provided, the Association shall have the right to assess reasonable charges against a Unit Owner who fails to comply with the same, including the right to assess charges for the costs of enforcement and arbitration, and provided, further, that neither the Association nor its

directors, officers, or other representatives, shall be liable to any Unit Owner, occupant or invitee, or for injury to such person, unless the damage or injury was proximately caused by the gross negligence or the intentional tortuous act of the Association or such director, officer or other representative or such director, officer or other representatives. Notwithstanding the foregoing, in the event of any dispute between them, no Unit Owner or Unit Owners shall institute legal proceedings against the Association without first submitting the dispute to arbitration in accordance with and pursuant to the provisions of the arbitration law of the State of North Carolina by a single independent arbitrator selected by the Board. In addition to all other remedies available by law, the Association may use summary abatement or similar means to enforce any provisions hereof or restrictions against the Unit or its use, provided that judicial proceedings shall be instituted before any items of construction may be altered or demolished by summary means.

Section 3. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Notwithstanding Sections 1 and 2 above, Declarant, the Owners, the Board, the Association and its officers, directors and committee members, and any person not otherwise subject to this Declaration who agrees to submit to this Article, including without limitation, the general contractor for the Building or any other contractors, architects, consultants, or engineers retained by Declarant in connection with the design and construction of the Building (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Condominium without the emotional and financial costs of litigation. Accordingly, every Claim described in subsection (b) shall be resolved by the alternative dispute resolution procedures set forth in Section 4.

(b) As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to:

(i) the interpretation, application, or enforcement of the Condominium Documents;

(ii) the rights, obligations, and duties of any Bound Party under the Condominium Documents;

(iii) the design, construction, or quality of improvements within or comprising any portion of the Condominium, or the habitability thereof, or the suitability thereof for any particular purpose, including without limitation any Claim based upon any alleged implied or express warranty;

(iv) the asserted breach of any other duty or obligation owed by Declarant, the Board, any member of the Board or any officer of the Association except that the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 4;

(v) any suit by the Association to collect assessments or other amounts due from any Owner;

(vi) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions relating to creation and maintenance of community standards;

(vii) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Condominium Documents; and

(viii) Any suit in which any indispensable party is not a Bound Party.

(c) No Amendment. The provisions of this Section 3 may not be modified or amended without the written consent of all Bound Parties.

Section 4. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent and to the Board stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;

(ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);

(iii) The Claimant's proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Arbitration. If the parties have not resolved the Claim through negotiation within thirty (30) days of the date of the notice described in Section 4(a) (or within such other period as the parties may agree upon), the Claimant shall have thirty (30) additional

days to submit the Claim to binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect.

(d) Waiver. If the Claimant does not submit the Claim to arbitration within such time, or does not appear for the arbitration hearing when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

(e) Fees and Expenses. The fees and expenses of arbitration shall be paid as set forth in the award and the Association shall not make a Claim against a Bound Party with regard to the matters listed in Section 3(b)(i-iv) above unless Owners holding at least 80% of the votes in the Association approve (in writing) the Association's bringing such Claim (and incurring the Common Expense to do so).

(f) Settlement. Any resolution of the Claim through negotiation or arbitration shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Article. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

(g) Limits on Arbitrator's Authority. Notwithstanding any provision of law to the contrary, and without in any way limiting the exclusiveness of arbitration as a remedy for resolving Claims, the Bound Parties acknowledge and agree that the arbitrator in any arbitration proceeding hereunder shall not have authority to do any of the following: (1) join the Claims of multiple Claimants in a single proceeding or certify an arbitration class action or similar proceeding; (2) award punitive or exemplary damages or any sort; or (3) award treble damages or any other damages which are greater than compensatory damages or which are based on a multiple of compensatory damages.

(h) Modification of Statutes of Limitation and Repose. Notwithstanding any provision of law (including any statute of limitations or repose) to the contrary, and without in any way limiting the exclusiveness of arbitration as a remedy for resolving Claims, the Bound Parties agree that any Claim must be asserted in arbitration no later than one (1) year following the date that the essential facts giving rise to the Claim were or reasonably should have been discovered, provided, however, in no event shall any Claim be valid unless it is asserted within three (3) years after the last act of the Respondent giving rise to the claim.

(i) Conflicts Between Arbitration Clauses. In the event that a Claim also falls within the scope of a valid arbitration clause contained in a sales contract for an individual Unit, this Declaration shall control to the extent of any inconsistency.

(j) No Amendment. The provisions of this Section 4 may not be modified or amended without the written consent of all Bound Parties.

Section 5. Severability. Invalidation of any one or more of these covenants, conditions, restrictions or easements by judgment or court order shall in no way affect any other provisions, which provisions shall remain in full force and effect. In the event any language of this Declaration conflicts with mandatory provisions of the Condominium Act, the latter's requirements shall prevail and the conflicting language shall be deemed to be invalid and void, provided that such invalidity shall in no wise affect any other provision of this Declaration, which provisions remain in full and effect.

Section 6. Gender and Grammar. The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporation, partnerships, men or women, shall in all cases be assumed as though in such case fully expressed.

Section 7. Captions. The captions of the various provision of this Declaration are not part of the context hereof, but are merely labels to assist in locating the various provisions hereof.

ARTICLE XIX

CONSENT OF MORTGAGEE

The Land and the Buildings are currently encumbered by the following recorded deeds of trust: a Deed of Trust, Assignment of Rents and Leases and Security Agreement recorded on December 23, 2008 in Book 6113, Page 388 in the Durham County Public Registry, executed and delivered by Declarant, as borrower to General Equity, Inc., Trustee for Park National Bank, as further modified by First Modification of Deed of Trust, Assignment of Rents and Leases and Security Agreement recorded on February 17, 2009 in Book 6144 at Page 407 in the Durham County Public Registry (the "Deed of Trust"). A Consent and Subordination Agreement, executed by the trustee and the beneficiary under the Deed of Trust and consenting to the execution and recordation of this Declaration and the subordination of the lien of the Deed of Trust to the provisions of this Declaration is being recorded in the Durham County Public Registry contemporaneously with the recording of this Declaration.

ARTICLE XX

MANDATORY PROVISIONS FOR CITY OF DURHAM REGARDING OBLIGATIONS FOR STORMWATER FACILITIES

The Condominium Property includes one or more stormwater management facilities (hereafter "Facilities") that are the perpetual responsibility of the Association. Such Facilities are the subject of a Stormwater Facility Agreement and Covenants ("Stormwater Facility Agreement") between Declarant and the City of Durham ("the City") that is binding on the

Association. The Stormwater Facilities Agreement is recorded at Book 6321 at Page 298 in the Durham County Register of Deeds. The Property subject to that Stormwater Facilities Agreement is the "Condominium Property" referred to in this Article. The Facilities must be maintained by the Association (whether or not the Property or the Facilities have been legally transferred to the members of the Association) in accordance with City Requirements, which include all ordinances, policies, standards, and maintenance protocols and in accordance with the recorded Stormwater Facilities Agreement. In particular the City's current "Owner's Maintenance Guide for Stormwater BMPs Constructed in the City of Durham" (available at the time of recording this document at http://www.durhamnc.gov/departments/works/pdf/draft_owners_maint_guide.pdf and the operation and maintenance manual prepared specifically for the Facilities contain requirements that apply to the Association's Facilities.

Nothing in the remaining Article of this Declaration filed by Declarant as part of this Declaration or any subsequent modifications of this Declaration may reduce the Association's or Unit Owners' obligations with regard to the Facilities. Such additional covenants may increase the obligations or provide for additional enforcement options.

The Facilities and their location are as follows: The location of the Facilities is described at Plat Book 183, Page 54, Durham County Register of Deeds. It is generally located southwest of the intersection of Ephesus Church Road and Farrington Road, and is commonly known as The Villas at Culp Arbor and Villas at Culp Arbor Condominium. It is part or all of the property acquired by Declarant in deeds recorded in Deed Book 6113, Page 382, Durham County Register of Deeds. The Facilities subject to the Stormwater Facilities Agreement are generally described as a wet detention pond with a designated permanent pool area of 12,992 square feet with a hydraulic depth of 4.4 feet and has a designated water quality pool volume of 18,469 square feet with a hydraulic depth of 4.4 feet. The drainage area to the facility is 10 acres.

In addition to the above obligations, the Association's obligations with regard to the Facilities are:

1. Inspections/Routine Maintenance. In accordance with City requirements, the Association shall cause the Facilities to be inspected i) annually; and, ii) after major storm events cause visual damage to the Facility; and iii) upon notification from the City to inspect. The inspection shall be performed by a registered North Carolina Professional Engineer or a North Carolina Registered Landscape Architect certified by the City who shall document those things mandated under City Requirements. The inspection shall occur annually during the month in which the Facilities as-built certification was accepted by the City, which month may be determined through contact with the City of Durham Department of Public Works, Stormwater Division. The inspection shall be reported to the City as further described below.

2. Repair and Reconstruction. The Association shall repair and/or reconstruct the Facilities as it determines is necessary, and, at a minimum, as set forth in City Requirements or as directed by the City to allow the Facilities to function for its intended purpose, and to its

design capacity. The Association shall provide written reports regarding major repair or reconstruction to the City in accordance with City Requirements.

3. Stormwater Budget Line Items & Funding. The dues of the Association shall include amounts for upkeep and reconstruction of the Facilities and other sums required by the City, such as the cost to provide surety bonds, if necessary, to the City, which shall be included in dues charged to Units or members from the point that Units or members are charged dues for other common purposes. The Association shall maintain two (2) separate funds in its budget for the Facilities. The first, the "Inspection and Maintenance Fund," shall be for routine inspection and maintenance expenditures and shall be used for annual inspections, maintenance, and minor repairs. The funds for this purpose may be maintained as part of the Association's general account. The second fund, the "Major Reconstruction Fund," shall be a separate, increasing reserve fund that will build over time and provide money for major repairs to and eventual reconstruction of the Facilities. The Major Reconstruction Fund shall be maintained in an account that is separate account from the Association's general account as described below. At a minimum, the Association shall, annually, earmark Four Thousand Six Hundred Dollars (\$4,600.00) from its collected dues for the Inspection and Maintenance Fund and One Thousand Five Hundred and Thirty-Four Dollars (\$1,534.00) for the Major Reconstruction Fund. These minimum amounts shall be increased annually by 3% per year over the prior year's amount. The Association may set a higher amount in its discretion, or if directed by Durham Director of Public Works after an examination of the Facilities. The Association shall set dues at a sufficient amount to fund each of the two line items in addition to the Association's other obligations. The Association may compel payment of dues through all remedies provided in these Covenants or otherwise available under law.

4. Assessments/Special Assessments/Liens. In addition to payment of dues, each Unit shall be subject to assessments by the Association for the purpose of fulfilling the Association's obligations under this Article and under the Stormwater Facilities Agreement. Such assessments shall be collected in the manner set forth in these Covenants. As allowed under NCGS 47C, or successor statutes, all assessment remaining unpaid for 30 days or longer shall constitute a lien on the Unit. Subject to the consent of members as set forth in Section 3(b), Article XIV of this Declaration, the Association shall charge special assessments, if necessary to meet the Association's obligations under the Stormwater Facilities Agreement. Such lien and costs of collection may be filed and foreclosed on by the Association. In addition, the Association's rights may, in the discretion of the City, be exercised by the City, as a third party beneficiary of the recorded Stormwater Facilities Agreement and/or as Attorney in Fact for the Association, without limitation as to any other rights the City may have under this Article or under the law. The Association hereby designates, constitutes and appoints the City as the Associations' Attorney in Fact for the express and limited purpose of assessing and pursuing the collection of such amounts under the conditions and limitations set forth herein. This appointment is coupled with an interest and is irrevocable as long as the Stormwater Facilities Agreement is in effect.

5. Stormwater Expenditures Receive Highest Priority. Notwithstanding any

contrary provisions of the covenants of which this Article is a part, to the extent not prohibited by law, and to the extent not inconsistent with any applicable state or federal law or regulation, including, without limitation, the requirements of the Federal Housing Administration ("FHA") or the Secretary of Veteran Affairs ("VA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), the Association's obligations under the Stormwater Agreement, including the obligation for the inspection, maintenance, repair, and replacement/reconstruction of the Facilities shall receive the highest priority (excluding liability and hazard insurance required to be maintained by the Association, taxes and assessments and other statutorily required expenditures) of all Association expenditures.

6. Separate Account for Major Reconstruction Fund. Engineer's Report. The Association shall maintain the Major Reconstruction Fund for the Facilities in an account separate from the Association's general account. The Association shall use the Fund only for major repairs and reconstruction of the Facilities. No withdrawal shall be made from this fund unless the withdrawal is approved by two Association officials who shall execute any documents allowing such withdrawal. Prior to withdrawing funds from this account, the Association shall (i) obtain a written report from an engineer approved in accordance with City Requirements regarding repairs or reconstruction needed and approximate cost of such repair or reconstruction; and (ii) submit such report to the Director of the City's Department of Public Works, and notify the Director of the repairs or reconstruction to be undertaken on the Facility, the proposed date, and the amount to be withdrawn from the Major Reconstruction Fund. In the event of an emergency, withdrawal and expenditure of funds may be made after telephone notification to the Stormwater Services Division of the Department.

7. Annual Reports to City. The Association shall provide to the City annual reports in substance and form as set forth in City Requirements. This annual report shall be signed by an officer of the Association, who shall attest as to the accuracy of the information in such report. If prepared by a professional management company hired to manage the Association's affairs, the report shall so indicate. The Officer's signature and attestation shall be notarized. At a minimum each report shall include:

- i. the annual Facilities inspections report described in section (1) above;
- ii. a bank or account statement showing the existence of the separate Major Reconstruction Fund described in Section (6) above and the balance in such fund as of the time of submission of the report;
- iii. a description of repairs exceeding normal maintenance that have been performed on the Facilities in the past year, and the cost of such repairs;
- iv. the amount of Association dues being set aside for the current year for each of the two stormwater funds – the Inspection and Maintenance Fund and the Major Reconstruction Fund.

8. Facilities to Remain with Association; Unit Owners' Liability. To the extent not prohibited by law, the Facilities shall remain the property of the members of the Association and

may not be conveyed by the members of the Association except in conjunction with the conveyance of a member's Unit. In the event the Association ceases to exist or is unable to perform its obligations under this Agreement, all Unit Owners as defined in the Stormwater Facilities Agreement referenced above shall be jointly and severally liable to fulfill the Association's obligations under this Agreement. Such Unit Owners shall have the right of contribution from other owners with each Unit's pro rata share being calculated as Unit Owner's proportional obligations are otherwise defined in these Covenants. The City may also exercise the rights described in Section 7 of the recorded Stormwater Facilities Agreement and other remedies provided by law.

9. City Rights; Liens Against Owners. In addition to rights granted to the City by ordinance or otherwise, the City shall have the following rights, generally summarized below, and more explicitly set forth in the Stormwater Facilities Agreement referenced above:

- a. Direct the Association in matters regarding the inspection, maintenance, repair, and /or reconstruction of the Facilities;
- b. If the Association does not perform the work required by ordinance, by these covenants, and by the Stormwater Facilities Agreement referenced above, do such work itself, upon 30 days' written notice to the Association.
- c. Access the Facilities for inspection, maintenance, and repair, crossing as necessary the Unit(s) on which the Facilities are located and all other *private and public easements that exist within the Condominium Property* subject to these covenants.
- d. Require reimbursement by the Association of the City's costs in inspecting, maintaining, repairing, or reconstructing the Facilities, as provided in the Stormwater Facilities Agreement referenced above.
- e. Enforce any debts owed by the Association as described herein and in the Stormwater Facilities Agreement referenced above against Unit Owners if such debts are not fully paid by the Association. The debt may be allocated to Unit Owners as provided in the other sections of these covenants, and may be made a lien on each owner's property, may be added to each owner's utility bills, and may result in foreclosure, as provided in Section 4 of the this Article XX referenced above.

10. No Dissolution. To the extent not prohibited by law, the Association shall not enter into voluntary dissolution unless the Facility is transferred to a person who has been approved by the City and has executed a Stormwater Facilities Agreement with the City assuming the obligations of the Association. Under the Stormwater Facilities Agreement referenced above, individual Units and Unit Owners continue to be liable for the Facilities in the

event the Association is dissolved without a new Stormwater Facilities Agreement between the City and a responsible party that is assuming the Association's obligations.

11. No Amendment. Without the prior written consent of the City, which may be given by the Durham City Manager, and notwithstanding any other provisions of this Declaration, the Association may not amend or delete this Article with the exception of supplementing its provisions in a more detailed manner to better describe members' or Lot Owners' obligations regarding each other.

12. Stormwater Facilities Agreement Supersedes; Conflicts of Laws. The Stormwater Facilities Agreement referenced above supersedes any limiting provisions contained elsewhere in other Articles of these Covenants. However, such Articles may supplement the obligations of the Association as set forth in that Agreement, and/or the obligations of and remedies against individual Unit Owners or members bound by these Covenants. Notwithstanding the foregoing, the provisions of this Article XX and the Stormwater Facilities Agreement shall be subordinate to the requirements of any state or federal law or regulation, including, without limitation, the rules and regulations of FHA, VA, FNMA and FHLMC (the "Governmental Rules") concerning the operation of homeowner's associations. To the extent that the provisions are inconsistent with the provisions of any Governmental Rules, the provisions of the Governmental Rules shall control such issue.

13. Liability; Indemnification. Notwithstanding anything set forth in this Declaration to the contrary, the Association, after the stormwater facilities are constructed as contemplated by the Stormwater Facilities Agreement, shall be solely responsible and shall indemnify the City and its officers and employees for any costs to the City or to such persons resulting from any claims regarding the construction, operation, maintenance, repair and/or reconstruction of the Facilities or the failure to perform the same. Costs shall include but are not limited to the expense of counsel chosen by and acceptable to the City.

14. Durham County Stormwater Control Plan and Permit. The Association shall comply with the stormwater control plan and stormwater permit. If the Association does not perform the work itself, the County of Durham shall have the right to do such work upon thirty (30) days written notice to the Association and shall promptly receive reimbursement from the Association of the cost associated with performing such work.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 9th day of September, 2009.

EPCON FARRINGTON, LLC,
a North Carolina limited liability company

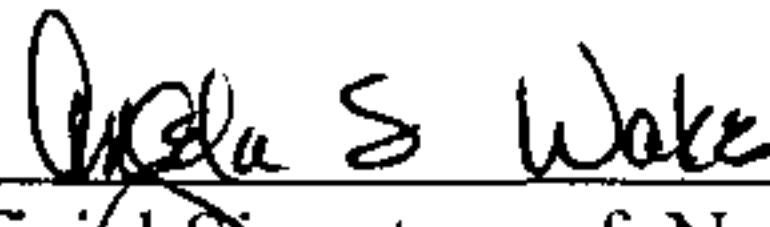
By:  (SEAL)
Name: Joel D. Rhoades
Title: Vice President and Authorized Signatory

STATE OF OHIO

COUNTY OF FRANKLIN

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: Joel D. Rhoades.

Date: September 9, 2009


Official Signature of Notary Public

Angela S Wake
Notary printed or typed name

OFFICIAL SEAL

My commission expires: 02-15-2014



Angela S. Wake
Notary Public, State of Ohio
My Commission Expires 02-15-2014

EXHIBIT A

DECLARATION OF CONDOMINIUM

VILLAS AT CULP ARBOR CONDOMINIUM

**LEGAL DESCRIPTION
CONDOMINIUM PROPERTY**

BEING A PARCEL OF LAND LOCATED IN DURHAM COUNTY, NORTH CAROLINA,
BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

~~aprox 2.8~~ ^{3.4} That certain tract or parcel of land described as the "Condominium Property", containing
acres, more or less, as shown on the Condominium Plat entitled "Villas at Culp Arbor
Condominium Plat" prepared by Clark White of Advanced Civil Design, Inc., Consulting
Engineers, dated Sept. 9, 2009, certified on Sept. 9, 2009, and recorded in ~~Unit File~~
Book 11 Pg 233 of the Office of the Register of Deeds of Durham County, North Carolina.

EXHIBIT B

DECLARATION OF CONDOMINIUM

VILLAS AT CULP ARBOR CONDOMINIUM

Plat and Plans

The Plat of Survey for Villas at Culp Arbor Condominium dated Sept. 9, 2009 prepared by Advanced Civil Design, Inc., Consulting Engineers, entitled "Final Plat of Villas at Culp Arbor Condominium" and the plans for Villas at Culp Arbor Condominium prepared by Dean A. Wenz, Architects, which were attached to this Declaration at the time it was filed for record are duly recorded in the Durham County Registry in ~~File No~~ Book 11, Pages 133-266 and are incorporated herein by reference as though fully set out herein.

EXHIBIT C
DECLARATION OF CONDOMINIUM
VILLAS AT CULP ARBOR CONDOMINIUM

UNIT INFORMATION SHEET

Unit Designation	Unit Type	Approximate Gross Interior Square Footage (excluding Exterior Maintenance Area and the Garage)	Par Value for Common Expenses and Voting Rights	Undivided Interest for Common Elements Interest
1-5213	BE	1,400	1.00	7.968
1-5215	DL	1,806	1.10	8.765
1-5219	DL	1,806	1.10	8.765
1-5217	CE	1,547	1.05	8.367
4-5223	AE	1,137	1.00	7.968
4-5225	CE	1,547	1.05	8.367
4-5229	DL	1,806	1.10	8.765
4-5227	BE	1,400	1.00	7.968
5-5233	AE	1,137	1.00	7.968
5-5235	CE	1,547	1.05	8.367
5-5239	DL	1,806	1.10	8.765
5-5237	BE	1,400	1.00	7.968
Total		18,339		100%

Gross interior square feet means the approximate gross area constituting the Unit at all levels, is measured from the undecorated inner surfaces of its boundary walls, and includes space occupied by interior partitions, staircases and voids, as well as space in the garage, any screened or enclosed porch or veranda, and any basement. This measurement is not the measurement normally used in the real estate industry for sales and leasing purposes.

EXHIBIT D

DECLARATION OF CONDOMINIUM VILLAS AT CULP ARBOR CONDOMINIUM

Unit Types

AE	(Aboreta)	Contains a kitchen, living room, dining room, two baths, two bedrooms, and a garage, all at ground level.
BE	(Bramante)	Contains a kitchen, living room, dining room, two baths, two bedrooms, and a garage, all at ground level.
CE	(Colonnade)	Contains a kitchen, living room, dining room, two baths, two bedrooms, a den, and a garage, all at ground level.
DL	(Ducal)	Contains a kitchen, living room, dining room, a hearth room, two baths, two bedrooms, a den, and a garage, all at ground level.
PZ ⁽¹⁾	(Palazzo)	Contains a kitchen, living room, dining room, two baths, two bedrooms and a garage, all at ground level; may also have either or both an optional sitting room or a 4-season enclosed porch.
PO ⁽¹⁾	(Portico)	Contains a kitchen, living room, dining room, two baths, two bedrooms, a den, and a garage, all at ground level; may also have an optional sitting room.
PE ⁽¹⁾	(Promenade)	Contains a kitchen, living room, dining room, two baths, two bedrooms, a den, and a garage, all at ground level; may also contain an optional sitting room.

Unit Sizes and Par Values

Type	Approximate Gross Interior ⁽²⁾ Square Feet	Par Value
AE	1,137	1.00
BE	1,400	1.00
PZ	1,516	1.05
CE	1,547	1.05
PO	1,759	1.10
DL	1,806	1.10
PE	1,992	1.10

- ⁽¹⁾ Declarant currently anticipates that these unit types may be constructed and made a part of the condominium; however, Declarant makes no assurances whatsoever that any of these unit types shall be constructed. If constructed, these unit types may include an optional sitting room, and in the case of the Palazzo type, an optional 4-season enclosed porch, as agreed upon by the Unit purchaser and Declarant at the time Unit purchaser enters into a contract to purchase a Unit.

- (2) Gross interior square feet means the approximate gross area constituting the Unit at all levels, is measured from the undecorated inner surfaces of its boundary walls, and includes space occupied by interior partitions, staircases and voids, as well as space in the garage, any screened or enclosed porch or veranda, and any basement. This measurement is not the measurement normally used in the real estate industry for sales and leasing purposes.

NOTE: Additional types of Units may be added to the Condominium Property from time to time evidenced by Declarant executing and recording an amendment to this Declaration. When subjecting property to this Declaration and adding additional types of Units, the consent of members shall not be required for such Amendments.

EXHIBIT E
DECLARATION OF CONDOMINIUM
VILLAS AT CULP ARBOR CONDOMINIUM
BYLAWS

**BYLAWS
OF
VILLAS AT CULP ARBOR CONDOMINIUM
ASSOCIATION, INC.**

**ARTICLE I
NAME AND LOCATION**

The name of the Association is Villas at Culp Arbor Condominium Association, Inc. ("the Association"), which nonprofit corporation, is created pursuant to the provisions of Chapter 55A of the North Carolina General Statutes, and which Association is also created pursuant to the provisions of Chapter 47C of the North Carolina General Statutes as the unit owners' association for Villas at Culp Arbor Condominium. The principal office of the Association shall be as set forth in its Articles of Incorporation ("the Articles"), and the place of meetings of Unit owners (members) and of the Directors (Board of Directors) of the Association shall be at such place in the county in which the Condominium Property is located as the Board of Directors ("the Board"), may from time to time designate.

**ARTICLE II
DEFINITIONS**

All of the terms used herein shall have the same meanings as set forth in the Declaration of Condominium for Villas at Culp Arbor Condominium, ("the Declaration"), recorded in the office of the Register of Deeds for Durham County, North Carolina.

**ARTICLE III
UNIT OWNERS /MEMBERS**

Section 1. Composition. Each Unit owner, as defined in the Declaration, is a member of the Association.

Section 2. Annual Meetings. Regular annual meetings of the Unit owners shall be held in the second calendar quarter of each year hereafter, on a date and at an hour established, from time to time, by the Board, provided, that, in any event, there shall be no more than twelve (12) months between annual meetings of the members.

Section 3. Special Meetings. Special meetings of the Unit owners may be called at any time by the president or by a majority of the Board, or upon written request of Unit owners entitled to exercise not less than twenty percent (20%) or more of the voting power of Unit owners, and when required by the Condominium Act.

Section 4. Notice of Meetings. Written notice of each meeting of Unit owners shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by either hand delivery or by mailing a copy of such notice, postage prepaid, not less than ten (10) days nor more than fifty (50) days before such meeting, to each Unit owner entitled to vote at such meeting, addressed to the Unit owner's address last appearing on the books of the Association, or supplied by such Unit owner to the Association for the purpose of notice. The notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Notice given to any one tenant in common, tenant by the entirety or joint owner of a Unit shall be deemed notice to all owners of such Unit.

Section 5. Quorum; Adjournment. The Unit owners present, in person or by proxy, at any duly called and noticed meeting of Unit owners, shall constitute a quorum for such meeting. Unit owners entitled to exercise a majority of the voting power of Unit owners represented at a meeting may, at any time, adjourn such meeting. If any meeting is so adjourned, notice of such adjournment need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting.

Section 6. Proxies. At any meeting of Unit owners, a Unit owner may vote in person or by proxy. All proxies shall be in writing and filed with the secretary prior to the meeting. A telegram, cablegram, or email appearing to have been transmitted by a Unit owner, or a photographic, photostatic, or equivalent reproduction of a writing, appointing a proxy, is a sufficient writing. Every proxy shall be revocable and shall automatically cease upon conveyance by a Unit owner of his, her or its Unit, and, in any event, shall not be valid after the expiration of one (1) year after it is made unless it specifies the date on which it is to expire or the length of time it is to continue in force.

Section 7. Voting Power. Except as otherwise provided in the Condominium Organizational Documents, or by law, a majority of the voting power of Unit owners voting on any matter that may be determined by the Unit owners at a duly called noticed meeting shall be sufficient to determine that matter.

Section 8. Actions Without Meeting: Any action which may be taken at a meeting of the membership may be taken without a meeting if consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and such consent is filed with the Secretary of the Association and inserted in the minute book of the Association.

Section 9. Robert's Rules of Order. Meetings of the Unit owners shall be conducted in accordance with the most recent edition of Robert's Rules of Order Newly Revised.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Initial Directors. The initial directors shall be those three persons named as the initial Directors in the Articles, or such other person or persons as may from time to time be substituted by the Declarant. During the Declarant Control Period (as described in the Declaration), the Board shall have three (3) members, and Declarant may appoint and remove members of the Board; subject, however to the limitations contained in the Declaration. A Director appointed by the Declarant need not be a Unit Owner. A Director appointed by a Unit Owner must be a Unit Owner. Upon the expiration of the Declarant Control Period, the members of the Association shall elect six (6) Board members, each to serve for a term of one (1) year, and thereafter the Board shall have six (6) Board members. Board members may succeed themselves in office.

Section 2. Successor Directors. The number, times of election, and terms of office of those who will serve as Directors of the Association to succeed the initial Directors, shall be as provided in the Declaration. Each successor Director shall be a Unit owner or spouse of a member, or an officer, employee, or principal of an entity that is a member.

Section 3. Removal. Excepting only Directors named in the Articles or selected by Declarant, any Director may be removed from the Board with or without cause, by a sixty-seven percent (67%) vote entitled to be cast by the Unit owners, which vote is taken at a duly called meeting at which a quorum is present. In the event of the death, resignation or removal of a Director other than one named in the Articles or a substitute selected by the Declarant, that Director's successor shall be selected by the remaining members of the Board and shall serve until the next annual meeting of Unit owners, when a Director shall be elected to complete the term of such deceased, resigned or removed Director. Declarant shall have the sole right to remove, with or without cause, any Director designated in the Articles, or a substitute selected by the Declarant, and select the successor of any Director so selected who dies, resigns, is removed or leaves office for any reason before the election of Directors by all of the Unit owners as provided in the Declaration.

Section 4. Nomination. Nominations for the election of Directors to be elected by the Unit owners shall be made by a nominating committee. Nominations may also be made from the floor at the meetings. The nominating committee shall consist of a chairman, who shall be a member of the Board, and two or more Unit owners, who are not members of the Board, appointed by the Board. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but no less than the number of vacancies that are to be filled.

Section 5. Election. Unless there are no more nominees than vacancies, election to the Board by the Unit owners shall be by secret written ballot. At such elections, the Unit owners or their proxies may cast, in respect to each vacancy, such number of votes as they are entitled to under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected, and, likewise, those receiving the largest number of votes shall be elected to the longest terms. In cases of ties, the winner shall be

determined by lot. Cumulative voting is not permitted.

Section 6. Compensation. No Director shall receive compensation for any service rendered to the Association as a Director. However, any Director may be reimbursed for his or her actual reasonable expenses incurred in the performance of duties.

Section 7. Regular Meetings. Regular meetings of the Board shall be held on such dates and at such places and times as may be fixed from time to time by resolution of the Board, but not less than quarterly.

Section 8. Special Meetings. Special meetings of the Board shall be held when called by the president of the Board, or by a majority of the Directors, after not less than three (3) days or more than thirty (30) days written notice to each Director.

Section 9. Quorum. The presence at any duly called and noticed meeting of Directors entitled to cast a majority of the voting power of Directors, in person and/or by participation by means of communications equipment if all persons participating can hear each other and participate, shall constitute a quorum for such meeting.

Section 10. Voting Power. Each Director shall be entitled to a single vote, and, except as otherwise provided in the Condominium organizational documents, or by law, vote of a majority of the Directors voting on any matter that may be determined by the Board at a duly called and noticed meeting at which a quorum is present, in person or by participation as provided in Section 9, above, shall be sufficient to determine that matter.

Section 11. Action In Writing Without Meeting. Any action that could be taken by the Board at a meeting may be taken without a meeting with the affirmative vote or approval, in a writing or writings, of all of the Directors.

Section 12. Powers. The Board shall exercise all powers and authority, under law, and under the provisions of the Condominium Organizational Documents, that are not specifically and exclusively reserved to the Unit owners by law or by other provisions thereof, and without limiting the generality of the foregoing, the Board shall have the right, power and authority to:

(a) take all actions deemed necessary or desirable to comply with all requirements of law, and the Condominium organizational documents;

(b) obtain insurance coverage no less than that required pursuant to the Declaration;

(c) Enforce by any legal means or proceeding the provisions of the Articles of Incorporation of the Association, these Bylaws, the Declaration or the rules and regulations hereinafter promulgated governing use of the Common Elements, including without limitation, the imposition of late payment charges, suspension of voting and other privileges of Unit owners, suspension of services provided by the Association, and levying of fines for the violations to the fullest extent provided herein and in the Act. Anything to the contrary in these Bylaws, the Declaration, or otherwise notwithstanding, no

arbitration, judicial or administrative proceeding (including without limitation any judicial or administrative proceeding against Declarant) shall be commenced or prosecuted by the Association unless approved by a vote of no less than sixty-seven percent (67%) of all votes entitled to be cast by the Unit owners, which vote is taken at a duly held meeting of the Owners at which a quorum is present, all in accordance with these Bylaws. The immediately preceding sentence shall not apply, however, to (i) actions brought by the Association to enforce the provisions of the Declaration, (ii) the imposition and collection of assessments, charges or other fees hereunder, (iii) proceedings involving challenges to ad valorem taxation, (iv) counter-claims brought by the Association in proceedings instituted against it or (v) actions brought by the Association against any contractor, vendor, or supplier of goods or services to the Property. Prior to obtaining the consent of the Unit owners in accordance with this subsection, the Association must provide written notice to all Unit owners which notice shall (at a minimum) include (1) a description of the nature of the claim, (2) a description of the attempts of Declarant to correct such claim and the opportunities provided to Declarant to correct such claim, (3) a certification from an engineer licensed in the State of North Carolina that such Claim is valid along with a description of the scope of work necessary to cure such claim and a resume of such engineer, (4) the estimated cost to repair such claim, (5) the name and professional background of the attorney proposed to be retained by the Association to pursue the claim against Declarant and a description of the relationship between such attorney and member(s) of the Board (if any), (6) a description of the fee arrangement between such attorney and the Association, (7) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim against Declarant and the source of the funds which will be used to pay such fees and expenses, (8) the estimated time necessary to conclude the action against Declarant, (9) an affirmative statement from the Board that the action is in the best interest of the Association and its members and (10) a statement from the Board that there are no fees paid to the Board or management parties as a result of the referral to any attorney or licensed professional.

(d) repair, maintain and improve the Common Elements;

(e) establish, enforce, levy and collect assessments, late fees, delinquent interest, and such other charges as are provided for in the Declaration, the Bylaws, and the rules and regulations of the Association, including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Declaration, the institution of actions to foreclose liens for such assessments in accordance with the terms of N.C.G.S. § 47C-3-116, the imposition of late payment charges, suspension of voting and other privileges of Owners, suspension of services provided by the Association, and levying of fines for the violations of the Declaration, these Bylaws and the rules and regulations of the Association to the fullest extent provided herein and in the Act;

(f) adopt and publish rules and regulations governing the use of the Common Elements and the personal conduct of Unit owners, occupants and their guests thereon, and establish and levy enforcement charges for the infraction thereof;

(g) suspend the voting rights of a Unit owner during any period in which such Unit owner shall be in default in the payment of any charge levied by the

Association (such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for each infraction of published rules and regulations or of any provisions of the Condominium Organizational Documents);

(h) declare the office of a member of the Board to be vacant in the event such Director shall be absent from three consecutive regular meetings of the Board;

(i) subject to such approvals, if any, as may be required pursuant to the provisions of Condominium Organizational Documents, authorize the officers to enter into one or more agreements necessary or desirable to fulfill the purposes and objectives of the Association, including, without limitation, management agreements, purchase agreements and loan documents, all on such terms and conditions as the Board in its sole and absolute discretion may determine;

(j) cause funds of the Association to be invested in such reasonable investments as the Board may from time to time determine;

(k) borrow funds, as needed, and pledge such security and rights of the Association as might be necessary or desirable to obtain any such loan if at least eighty percent (80%) of the votes allocated in the Association including eighty percent (80%) of votes allocated to Units now owned by Declarant and one hundred percent (100%) of votes allocated to Unit Owners of Limited Common Elements if Limited Common Elements are subjected to a security interest; and

(1) do all things and take all actions permitted to be taken by the Association by law, or the Condominium organizational documents not specifically reserved thereby to others.

Section 13. Duties. It shall be the duty of the Board to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Unit owners at each annual meeting of Unit owners, or at any special meeting when such statement is requested in writing by Unit owners representing one-half (1/2) or more of the voting power of Unit owners:

(b) supervise all officers, agents and employees of the Association and see that their duties are properly performed;

(c) cause an annual budget to be prepared:

(d) as more fully provided in the Declaration, to establish, levy, enforce and collect assessments;

(e) issue, or to cause an appropriate representative to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid;

(f) procure and maintain insurance and bonds as provided in the Declaration, and as the Board deems advisable:

(g) cause the property subject to the Association's jurisdiction to be maintained within the scope of authority provided in the Declaration;

(h) cause the restrictions created by the Declaration to be enforced; and

(i) take all other actions required to comply with all requirements of law and the Condominium organizational documents.

Section 14. Owner Attendance at Board Meetings. At regular intervals, the Board shall provide Owners an opportunity to attend a portion of a Board meeting and to speak to the Board about their issues and concerns. The Board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

Section 15. Robert's Rules of Order. Meetings of the Board shall be conducted in accordance with the most recent edition of Robert's Rules of Order Newly Revised.

ARTICLE V **OFFICERS**

Section 1. Enumeration of Officers. The officers of this Association shall be a president, a secretary, a treasurer and such other officers as the Board may from time to time determine. No officer other than the President need be a member of the Association, nor need any officer be a Director. The same person may hold more than one office.

Section 2. Selection and Term. The officers of the Association shall be selected by the Board, from time to time, to serve until the Board selects their successors.

Section 3. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 4. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Duties. The duties of the officers shall be as the Board may from time to time determine. Unless the Board otherwise determines, the duties of the officers shall be as follows.

(a) President. The president shall preside at all meetings of the Board, shall have the authority to see that orders and resolutions of the Board are carried out, and shall sign all legal instruments on behalf of the Association. The president shall have all of the general powers and duties which are incident to the office of President of a corporation organized under Chapter 55A of the North Carolina General Statutes in the supervision and control of the management of the Association in accordance with these Bylaws.

(b) Secretary. The secretary shall record the votes and keep the minutes and proceedings of meetings of the Board and of the Unit owners, serve notice of meetings of the Board and of the Unit owners, keep appropriate current records showing the names of Unit owners of the Association together with their addresses, and shall act in the place and stead of the president in the event of the president's absence or refusal to act. The secretary shall, in general, perform all duties incident to the Office of Secretary of a corporation organized under Chapter 55A of the General Statutes of North Carolina. The Secretary shall also prepare, execute, certify and record amendments to the Declaration, with respect to such amendments which under the Declaration are required to be prepared, executed or recorded by the Association.

(c) Treasurer. The treasurer shall assume responsibility for the receipt and deposit in such bank accounts, and investment of funds in such vehicles, as the Board directs, the disbursement of such funds as directed by the Board, the keeping of proper books of account, the preparation of a proposed annual budget and a statement of income and expenditures to be presented to the Unit owners at annual meetings, and the delivery or mailing of a copy of each to each of the Unit owners. The treasurer shall perform all duties incident to the office of Treasurer of a corporation organized under Chapter 55A of the General Statutes of North Carolina.

A R T I C L E V I

COMMITTEES

The Board shall appoint a nominating committee and may appoint such other committees as it deems appropriate in carrying out its purposes.

A R T I C L E V I I

BOOKS AND RECORDS

All financial and other records, including records of meetings of the Unit owners and the Board, shall be made available, during reasonable business hours, for examination by any Unit owner and the Unit owner's authorized agents at the principal office of the Association, as required by these bylaws and Chapter 55A of the North Carolina General Statutes. The Association shall keep accurate records of all cash receipts and expenditures and all assets and liabilities. The Association shall make an annual income and expense statement and balance sheet available to all Unit Owners at no charge within seventy-five (75) days after the close of the fiscal year to which the information relates. A more extensive compilation, review or audit of the Association's books and records for the current or immediately preceding fiscal year may be required by a vote of the majority of the Board or by the affirmative vote of a majority of the holders of votes in the Association present and voting in person or by proxy at any Annual Meeting or any Special Meeting duly called for that purpose.

A R T I C L E V I I I

OPERATIONS

The Board shall from time to time, and at least annually, prepare and adopt a proposed budget for the Condominium, determine the amount of the Common Expenses payable by the Unit Owners to meet the proposed budget of the Condominium, and allocate and assess such proposed Common Expenses among the Unit Owners in shares based upon the percentage interest in the Common Elements allocated to each Unit, which percentage interest has been calculated using a par value as set forth in Exhibit D and subject to the provisions set forth in the Declaration. The Common Expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board pursuant to the provisions of the Declaration. The Common Expenses shall also include such amounts as the Board deems necessary for the operation and maintenance of the Property, including without limitation, an amount for a reserve fund for repair and replacement of the Common Elements; and such amounts as may be necessary to make up any deficit in the Common Expenses for any prior year. The Board shall thereupon allocate to each Unit that Unit's share of all of these items, prorated in accordance with each respective Unit's undivided interest in the Common Elements, and thereby adopt the budget for the annual operating assessment for each separate Unit. For administrative convenience, any such assessment may be rounded so that monthly installments will be in whole dollars. Within thirty (30) days after adoption of any proposed budget for the Condominium, the Board shall provide a summary of the budget to all the Unit Owners. To the extent required by law, such notice shall include notice of a meeting of the Unit Owners 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 law, the Board shall set a date for a meeting of the Unit Owners to consider ratification of the budget to be held not less than fourteen (14) nor more than thirty (30) days after mailing of the summary and notice. If such meeting is required as set forth above, there shall be no requirement that a quorum be present at the meeting. The budget will be ratified unless (a) if such vote is taken during the Declarant Control Period, at such meeting Unit Owners exercising at least ninety percent (90%) of the votes of the Association reject the budget; or (b) if such vote is taken after the Declarant Control Period, at such meeting Unit Owners exercising at least a majority of the votes in the Association reject the budget. The failure of the Association to send, or of an Unit Owner to receive, such notice shall not relieve any Unit Owner of the obligation to pay assessments. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board. At no time shall a proposed budget be less than the budget then in place unless approved by 100% of the Unit Owners.

In addition to the annual assessments the Unit Owner is obligated to pay as assessed by the Association, the Association, acting through the Executive Board, may levy a special assessment during any calendar year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvement comprising or to comprise a portion of the Common Elements, including fixtures and personal property; provided, however, that any such special assessment must be approved by the vote of Unit Owners to which at least sixty-seven percent (67%) of all votes entitled to be cast by the Unit Owners, which vote is taken at a duly held meeting of the Unit Owners at which a quorum is present, in person or by proxy in accordance with the provisions of these Bylaws.

The Association, acting through the Executive Board, may levy an individual assessment if an Unit Owner should fail to maintain a Limited Common Element appurtenant to such Owner's Unit, and the Association should elect to undertake such repair on behalf of that Unit Owner.

The Declarant, as the agent of the Association, shall collect from each initial purchaser of a Unit at the time of closing an "initial assessment" equal to \$500 for Common Expenses. Such funds shall not be considered advance payments of assessments. The Declarant will deliver the funds so collected to the Association. Such funds may be used for certain prepaid items advanced by Declarant for Association expenses, such as insurance premiums paid in advance by Seller, and for such other purposes as the Board may determine.

ARTICLE IX **FISCAL YEAR**

Unless otherwise changed by the Board, the fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of this Association.

A R T I C L E X **AMENDMENTS**

Subject to the provisions of the Declaration, these Bylaws may be amended at any time by an instrument in writing signed and acknowledged by Unit Owners holding at least sixty-seven percent (67%) of all votes entitled to be cast by the Unit Owners, which vote is taken at a duly held meeting of the Unit Owners at which a quorum is present, in person or by proxy in accordance with the provisions of these Bylaws. Provided, however, where a larger vote in the Association is required for the Association to take or refrain from taking a specific action, as set forth in the Condominium Documents, no amendment of these Bylaws shall be made unless and until the Unit Owners holding such

larger percentage of the vote in the Association execute said amending instrument. All persons or entities who own or hereafter acquire any interest in the Condominium Property shall be bound to abide by any amendment to these Bylaws which is duly passed. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee without the consent of such Mortgagee. No amendment to these Bylaws shall be adopted or passed which shall impair or prejudice the rights of Declarant provided for in the Condominium Documents, without the consent of Declarant.

A R T I C L E X I

CONFLICT OF INTEREST

In addition to the limitations of Article 8 of Chapter 55A of the North Carolina General Statutes, no financial payments, including payments made in the form of goods and services, may be made to any officer or member of the Board or to a business, business associate, or relative of an officer or member of the Board, except as expressly provided for in these bylaws or in payment for services or expenses paid on behalf of the Association which are approved in advance by the Board.

A R T I C L E X I I

MISCELLANEOUS

Section 1. Severability: Invalidation of any covenant, condition, restriction or other provisions of the Declaration or these Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

Section 2. Successors Bound: The rights, privileges, duties and responsibilities set forth in the Condominium Documents, as amended from time to time, shall run with the ownership of the Condominium Property and shall be binding upon all persons who own or hereafter acquire any interest in the Condominium Property.

Section 3. Gender, Singular, Plural: Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

Section 4. Nonprofit Corporation: No part of the Association's assets or net income shall inure to the benefit of any of the members, the officers of the Association, or the members of the Board, or any other private individual either during its existence except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation of the Association and these Bylaws. Notwithstanding the foregoing, upon dissolution, the Board may authorize and pay distributions, in cash or in-kind, to the members in connection with any dissolution of the Association, termination of the Declaration, or as otherwise permitted by applicable law.

EXHIBIT F

DECLARATION OF CONDOMINIUM

VILLAS AT CULP ARBOR CONDOMINIUM

Liens, Defects and Encumbrances

1. Taxes for the year 2009, and subsequent years not yet due and payable.
2. Building Restriction lines, easements and any other facts shown on plats recorded in Book of Maps 182, Pages 128 and Plat Book 183, Page 54 Durham County Registry.
3. Annexation Ordinance recorded in Book 6001, Page 724, Durham County Registry.
4. Occupancy Restrictions Agreement recorded in Book 5993, Page 878, Durham County Registry.
5. The following matters that are shown on survey dated August 26, 2008 by Clark E. White, Registered Land Surveyor: a) title to that portion of subject property lying within right of way of Farrington Road (NCSR 1110) (Phases 1&2); b) stream (Phase 2); and c) 100-foot stream buffer (Phase 2). See also recombination plat recorded in Plat Book 183, Page 54 Durham County Registry.
6. Deed of Trust executed by Epcon Farrington, LLC, a North Carolina limited liability company to General Equity, Inc., Trustees for Park National Bank, dated December 12, 2008, recorded on December 23, 2008, in Book 6113 at Page 388, Durham County Registry, First Modification of Deed of Trust dated December 12, 2008 and recorded February 17, 2009 in Book 6144 at Page 407, Durham County Registry.
7. UCC Financing Statements recorded in Book 6113, Page 417, Durham County Registry and File No. 2008011203OJ, Office of the North Carolina Secretary of State in favor of Park National Bank.
8. Time Warner Entertainment – Advance/Newhouse Partnership, dba Time Warner Cable Deed of Easement dated September 30, 2008 recorded February 20, 2009 in Book 13397, Page 584, Wake County Registry and recorded in April 30, 2009 in Book 6204, Page 806, Durham County Registry.
9. Construction Easement Agreement dated December 22, 2008 recorded December 23, 2008 in Book 6113, Page 425, Durham County Registry.
10. Grading, Drainage and Temporary Staging Easement Agreement dated March 2, 2009 recorded March 3, 2009 in Book 6155, Page 540, Durham County Registry.

11. Stormwater Facilities Agreement and Covenants dated May 1, 2009 recorded May 4, 2009 in Book 6208, Page 326, Durham County Registry.
12. Grading and Temporary Staging Easement Agreement dated December 23, 2008 recorded June 18, 2009 in Book 6250, Page 794, Durham County Registry.
13. Grading and Temporary Staging Easement Agreement dated January 9, 2009 recorded June 18, 2009 in Book 6250, Page 804, Durham County Registry.
14. Drainage Easement Agreement dated March 6, 2009 recorded June 18, 2009 in Book 6250, Page 782, Durham County Registry.
15. Grading and Temporary Construction Easement Agreement dated October 22, 2008 recorded June 18, 2009 in Book 6250, Page 828, Durham County Registry.
16. Sewer Easement Agreement dated January 23, 2008 recorded June 18, 2009 in Book 6250, Page 814, Durham County Registry.
17. Grading and Temporary Staging Easement Agreement dated December 24, 2008 recorded June 18, 2009 in Book 6250, Page 772, Durham County Registry.
18. Right of Way Dedication and Permanent Drainage Easement Along Farrington Road recorded March 23, 2009 in Plat Book 183 at Pages 294, 296, 298, and 300.
19. Right of Way Agreement recorded April 30, 2009 in Book 6205 at Page 884, Durham County Registry.
20. All other matters of public record and matters that would be disclosed by an examination of the property or by a current survey.

EXHIBIT G

DECLARATION OF CONDOMINIUM

VILLAS AT CULP ARBOR CONDOMINIUM

LEGAL DESCRIPTION ADDITIONAL PROPERTY

BEING A PARCEL OF LAND LOCATED IN DURHAM COUNTY, NORTH CAROLINA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PARCEL ONE: Phase One, Villas at Culp Arbor, 16.364 Acres:

Situated in the State of North Carolina, County of Durham, City of Durham, and being 6.448 acres out of that original 23.8 acre tract and all of the remainder (9.916 acres) of that original 10.7 acre tract as conveyed to B&R Farms, Thomas Tilley, Trustee by deed of record in Deed Book 2265, Page 848, and being more particularly bounded and described as follows: Beginning at a point in the centerline of Farrington Road (State Route 1110), said point being S 05 degrees 08' 12" W, a distance of 2957.89 feet from North Carolina Geodetic Survey Monument "FARR", having North Carolina State Plane Coordinates (NAD 83 - 2001 Adjustment): Northing 794671.34, Easting 2003365.49; Thence S 03 degrees 46' 36" W, with the centerline of said Farrington Road, a distance of 278.98 feet to a P.K. nail found; Thence S 03 degrees 44' 19" W, continuing with the centerline of said Farrington Road, a distance of 271.04 feet to a P.K. nail found; Thence N 88 degrees 38' 37" W, across said Farrington Road, and being along the northerly line of that 0.6 acre tract as conveyed to Logan A. Kendall by deed of record in Deed Book 2366, Page 947, and as shown in Plat Book 41, Page 87, (passing a concrete right-of-way monument at 30.13 feet) a distance of 229.78 feet to an iron pipe found at the northwesterly corner of said Kendall tract; Thence S 03 degrees 40' 55" W, with the westerly line of said Kendall tract, a distance of 125.09 feet to an iron pipe found in the northerly line of that 0.92 acre tract as conveyed to Kenneth H and Connie Y. King by deed of record in Deed Book 428, Page 786, and as shown in Plat Book 85, Page 68; Thence N 88 degrees 59' 59" W, with a portion of the northerly line of said King tract, and with the northerly line of that 8.5 acre tract as conveyed to Harlan L. and Ada P. King by deed of record in Deed Book 384, Page 211, (passing an iron pipe found at 65.30 feet) a distance of 935.31 feet to an iron pipe found at the southeasterly corner of that 5.7 acre tract as conveyed to Betty R. Gorman by deed of record in Deed Book 2445, Page 3, and shown in Plat Book 94, Page 49; Thence N 03 degrees 09' 36" E, with the easterly line of said 5.7 acre tract, a distance of 395.16 feet to an iron pipe found; Thence N 02 degrees 37' 01" E, continuing with said easterly line, a distance of 244.61 feet to an iron pipe found in the southerly line of that 37.1 acre tract as conveyed to the Durham Public School Board of Education by deed of record in Deed Book 3437, Page 931, and shown in Plat Book 155, Page 37; Thence S 88 degrees 14' 40" E, with a portion of the southerly line of said Durham Public School Board of Education tract, a distance of 515.39 feet to an iron pipe found at the southeasterly corner of said Durham Public School Board of

Education tract; Thence crossing said original 23.8 acre tract, being the common line between Phase One and Two, the following courses and distances; S 43 degrees 21' 51" E, a distance of 35.43 feet to an iron pipe set; S 86 degrees 41' 05" E, a distance of 71.48 feet to an iron pipe set; N 88 degrees 57' 29" E, a distance of 104.73 feet to an iron pipe set; S 01 degrees 02' 31" E, a distance of 35.72 feet to an iron pipe set; N 88 degrees 57' 29" E, a distance of 50.00 feet to an iron pipe set; N 01 degrees 02' 31" W, a distance of 71.76 feet to an iron pipe set; N 88 degrees 57' 29" E, a distance of 105.67 feet to an iron pipe set; S 86 degrees 52' 57" E, a distance of 39.35 feet to an iron pipe set on the arc of a curve to the left; Northeasterly, with the arc of said curve to the left (Delta = 192 degrees 14' 49", Radius = 37.00 feet, Arc Length = 124.15 feet) a chord bearing and distance of N 89 degrees 55' 41" E, 73.58 feet to a point; N 69 degrees 43' 36" E, a distance of 55.64 feet to a point; N 75 degrees 33' 12" E, a distance of 10.15 feet to a point; N 87 degrees 12' 25" E, a distance of 10.15 feet to a point; S 86 degrees 57' 59" E, a distance of 17.05 feet to a point; N 57 degrees 00' 32" E, a distance of 8.97 feet to a point; and S 86 degrees 13' 24" E, a distance of 96.11 feet to the Point of Beginning, and containing 16.364 acres of land, more or less, as calculated by the above courses. The above description was prepared by Clark E. White, P.S. L-4588 on July 7, 2008.

PARCEL TWO: Phase Two, Villas at Culp Arbor, 17.476 Acres:

Situated in the State of North Carolina, County of Durham, City of Durham, and being 16.523 acres out of that original 23.8 acre tract as conveyed to B&R Farms, Thomas Tilley, Trustee by deed of record in Deed Book 2265, Page 848, and all of that 0.953 acre tract as conveyed to Iris M. Tilley, Trustee by deed of record in Deed Book 1983, Page 119, and being more particularly bounded and described as follows:

Beginning at a P.K. nail found in the centerline of Farrington Road, being the southeasterly corner of that 4.0 acre tract as conveyed to Willie M. Roberts by deed of record in Deed Book 369, Page 446, said point being S 06° 42' 49" W, a distance of 1844.62 feet from North Carolina Geodetic Survey Monument "FARR", having North Carolina State Plane Coordinates (NAD 83 – 2001 Adjustment): Northing 794671.34, Easting 2003365.49;

Thence S 02° 15' 59" W, with the centerline of said Farrington Road, a distance of 681.63 feet to a P.K. nail found;

Thence N 88° 27' 52" W, across said Farrington Road, a distance of 30.00 feet to an iron pipe found in the westerly right-of-way line of said Farrington Road;

Thence S 01° 49' 28" W, with said westerly right-of-way line, a distance of 109.94 feet to an iron pipe set;

Thence S 02° 18' 04" W, continuing with said westerly right-of-way line, a distance of 100.05 feet to an iron pipe found;

Thence S 86° 53' 52" E, across said Farrington Road, a distance of 30.00 feet to a P.K. nail found in the centerline of said Farrington Road;

Thence S 03° 46' 36" W, with the centerline of said Farrington Road, a distance of 222.75 feet to an iron pipe set;

Thence across said original 23.8 acre tract, being the common line between Phase One and Two, the following courses and distances;

N 86° 13' 24" W, a distance of 96.11 feet to an iron pipe set;

S 57° 00' 32" W, a distance of 8.97 feet to an iron pipe set;

N 86° 57' 59" W, a distance of 17.05 feet to an iron pipe set;

S 87° 12' 25" W, a distance of 10.15 feet to an iron pipe set;

S 75° 33' 12" W, a distance of 10.15 feet to an iron pipe set;

S 69° 43' 36" W, a distance of 55.64 feet to an iron pipe set on the arc of a curve to the right;

Southwesterly, with the arc of said curve to the right (Delta = 192° 14' 49", Radius = 37.00 feet, Arc Length = 124.15 feet) a chord bearing and distance of S 89° 55' 41" W, 73.58 feet to an iron pipe set;

N 86° 52' 57" W, a distance of 39.35 feet to an iron pipe set;

S 88° 57' 29" W, a distance of 105.67 feet to an iron pipe set;

S 01° 02' 31" E, a distance of 71.76 feet to an iron pipe set;

S 88° 57' 29" W, a distance of 50.00 feet to an iron pipe set;

N 01° 02' 31" W, a distance of 35.72 feet to an iron pipe set;

S 88° 57' 29" W, a distance of 104.73 feet to an iron pipe set;

N 86° 41' 05" W, a distance of 71.48 feet to an iron pipe set; and

N 43° 21' 51" W, a distance of 35.43 feet to an iron pipe found at the southeasterly corner of that 37.1 acre tract as conveyed to the Durham Public School Board of Education by deed of record in Deed Book 3437, Page 931, and shown in Plat Book 155, Page 37;

Thence N 01° 30' 58" E, with the easterly line of said Durham Public School Board of Education tract, a distance of 1132.24 feet to an iron pipe found at the southwesterly corner of that 1.5 acre tract as conveyed to Lillian C. Roberts by deed of record in Deed Book 4111, Page 162;

Thence N 89° 04' 32" E, with the southerly line of said 1.5 acre Roberts tract, and with the southerly line of said 4.0 acre tract, (passing an axle found at 161.03 feet and an iron pipe found at 649.98 feet) a distance of 680.17 feet to the Point of Beginning, and containing 17.476 acres of land, more or less, as calculated by the above courses. The above description was prepared by Clark E. White, P.S. L-4588 on August 22, 2008.

All iron pipes described as "set" will be placed after construction of both phases.

Less and excepting the property shown on Exhibit A attached hereto and made a part hereof; and including

Such additional tracts of land located within one-half (1/2) mile of any boundary of the land included in the Condominium Property as described on Exhibit A hereto.

CONSENT AND SUBORDINATION OF MORTGAGEE

**ATTACHED TO DECLARATION OF CONDOMINIUM
FOR VILLAS AT CULP ARBOR CONDOMINIUM**

Park National Bank, (the "Lender"), being the Beneficiary under that certain Deed of Trust, Assignment of Rents and Leases and Security Agreement from Epcon Farrington, LLC, a North Carolina limited liability company ("Declarant") to General Equity, Inc., Trustee, recorded on December 23, 2008 in Book 6113, Page 388 in the Durham County, North Carolina Public Registry, as further modified by First Modification of Deed of Trust, Assignment of Rents and Leases and Security Agreement recorded on February 17, 2009 in Book 6144 at Page 407 in the Durham County, North Carolina Public Registry (the "Deed of Trust") consents to the recordation of the foregoing Declaration of Villas at Culp Arbor Condominium dated on or about the date hereof (the "Declaration") and the imposition of the provisions thereof and the provisions of the North Carolina Condominium Act to the real property described in Exhibit A of the Declaration. Lender does hereby consent to the subordination of the lien of the Deed of Trust to the provisions of the Declaration. The execution of this Consent and Subordination of Mortgagee by the Beneficiary shall not be deemed or construed to have the effect of creating between the Beneficiary and Declarant the relationship of partnership or of joint venture, nor shall it be deemed to impose upon the Beneficiary any of the liabilities, duties or obligations of Declarant under the Declaration. Beneficiary executed this Consent and Subordination of Mortgagee solely for the purposes set forth above. The Trustee also joins in and executed this Consent and Subordination of Mortgagee as Trustee for the purposes set forth above.

BENEFICIARY:

PARK NATIONAL BANK

By: [Signature]
Name: Scott Green
Title: VP

TRUSTEE:

GENERAL EQUITY, INC.

By: _____
Name: _____
Title: _____

STATE OF Ohio

COUNTY OF Franklin

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: _____.

Date: 8/26/09

Susan J. Sharp
Official Signature of Notary



Susan J. Sharp
Notary Public-State of Ohio
My Commission Expires
April 4, 2014

Susan J. Sharp
Notary's printed or typed name, Notary Public
My commission expires: _____

(Official Seal)

STATE OF _____

COUNTY OF _____

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: _____.

Date: _____

Official Signature of Notary

Notary's printed or typed name, Notary Public
My commission expires: _____

(Official Seal)

CONSENT AND SUBORDINATION OF MORTGAGEE

ATTACHED TO DECLARATION OF CONDOMINIUM
FOR VILLAS AT CULP ARBOR CONDOMINIUM

Park National Bank, (the "Lender"), being the Beneficiary under that certain Deed of Trust, Assignment of Rents and Leases and Security Agreement from Epcon Farrington, LLC, a North Carolina limited liability company ("Declarant") to General Equity, Inc., Trustee, recorded on December 23, 2008 in Book 6113, Page 388 in the Durham County, North Carolina Public Registry, as further modified by First Modification of Deed of Trust, Assignment of Rents and Leases and Security Agreement recorded on February 17, 2009 in Book 6144 at Page 407 in the Durham County, North Carolina Public Registry (the "Deed of Trust") consents to the recordation of the foregoing Declaration of Villas at Culp Arbor Condominium dated on or about the date hereof (the "Declaration") and the imposition of the provisions thereof and the provisions of the North Carolina Condominium Act to the real property described in Exhibit A of the Declaration. Lender does hereby consent to the subordination of the lien of the Deed of Trust to the provisions of the Declaration. The execution of this Consent and Subordination of Mortgagee by the Beneficiary shall not be deemed or construed to have the effect of creating between the Beneficiary and Declarant the relationship of partnership or of joint venture, nor shall it be deemed to impose upon the Beneficiary any of the liabilities, duties or obligations of Declarant under the Declaration. Beneficiary executed this Consent and Subordination of Mortgagee solely for the purposes set forth above. The Trustee also joins in and executed this Consent and Subordination of Mortgagee as Trustee for the purposes set forth above.

BENEFICIARY:

PARK NATIONAL BANK

By: _____
Name: _____
Title: _____

TRUSTEE:

GENERAL EQUITY, INC.

By: John P. Wilkerson, Jr.
Name: John P. Wilkerson, Jr.
Title: Vice President

STATE OF _____

COUNTY OF _____

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: _____.

Date: _____

Official Signature of Notary

Notary's printed or typed name, Notary Public

My commission expires: _____

(Official Seal)

STATE OF OHIO

COUNTY OF FRANKLIN

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: John P. Wilkerson, Sr.

Date: 8/25/09

Sandra H. Bresler
Official Signature of Notary

SANDRA H. BRASLER

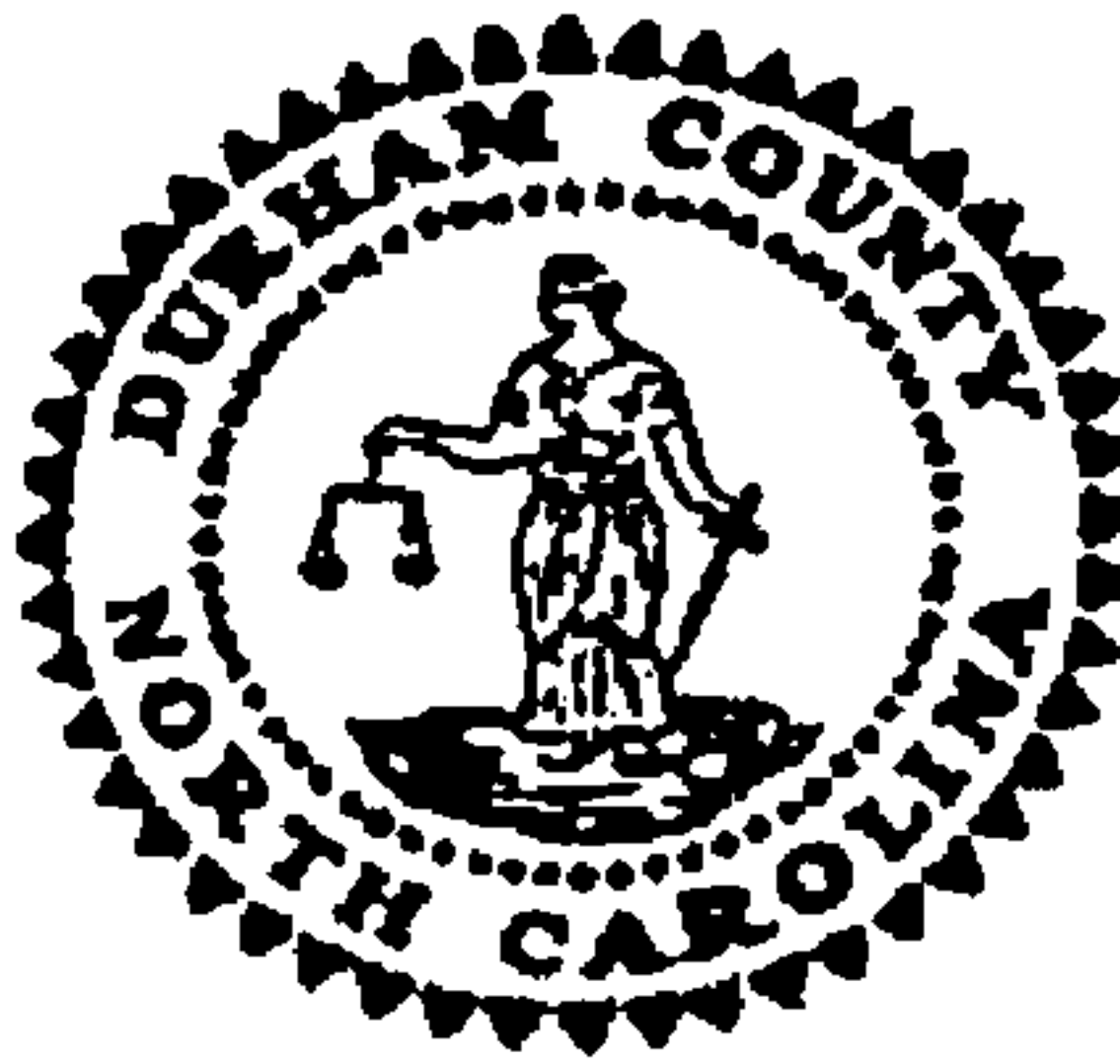
Notary's printed or typed name, Notary Public

My commission expires: _____

(Official Seal)



SANDRA H. BRESLER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES AUGUST 8, 2010



WILLIE L. COVINGTON
REGISTER OF DEEDS, DURHAM COUNTY
DURHAM COUNTY COURTHOUSE
200 E. MAIN STREET
DURHAM, NC 27701

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Book: RE 6321 Page: 315-399 +A

Document No.: 2009033118

DECL 85 PGS \$263.00

Recorder: JENNIFER H SMITH



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