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FOR REGISTRATION REGISTER OF DEEDS  
Willie L. Covington  
DURHAM COUNTY, NC  
2003 DEC 03 11:46:07 AM  
BK:4205 PG:826-858 FEE:\$107.00

INSTRUMENT # 2003072496

Mail after recording to : Burns, Day & Presnell, P. A.  
P. O. Box 10867, Raleigh, NC 27605  
DURHAM COUNTY  
  
NORTH CAROLINA

DECLARATION OF MASTER COVENANTS,  
CONDITIONS AND RESTRICTIONS FOR  
CARDINAL LAKE

THIS DECLARATION, made on the date hereinafter set forth by **Crossmann Communities of North Carolina, Inc.**, a North Carolina corporation, hereinafter referred to as "Declarant".

WHEREAS, Declarant is the owner of certain real property located in **Durham County**, North Carolina described as:

**Being all of that area shown as Cardinal Lake Phase One A on plat by Withers & Ravenel recorded in Plat Book 160, Pages 59, 61, 63 and 65, Durham County Registry.**

(the "Property"); and,

WHEREAS, the Property is a planned unit development approved by the appropriate governmental authorities of the City of Durham, North Carolina, now known as **Cardinal Lake**; and,

WHEREAS, in accordance with such approved planned unit development, Declarant contemplates developing **Cardinal Lake** as a residential development with attached and detached dwellings; and,

WHEREAS, although Declarant contemplates that separate easements, covenants, conditions and restrictions (which may include easements, covenants, conditions and restrictions similar to those contained herein) may be imposed in regard to the various subdivisions of the Property as described hereinafter, Declarant desires to impose pursuant hereto, easements, covenants, conditions and restrictions upon all of the Property, with the understanding that at the option of Declarant, certain thereof may be changed and additional and/or supplemental restrictions may be imposed in regard to the various subdivisions of the Property;

NOW THEREFORE, pursuant to Chapter 47F of the North Carolina General Statutes,

Declarant hereby declares that all of the Property described hereinafter shall be held, sold and conveyed subject to the following easements, covenants, and conditions, which are for the purpose of enhancing and protecting the value and desirability of, and which shall run with, the Property and be binding on all parties having any right, title or interest in the Property or any part thereof, their successors and assigns, and shall inure to the benefit of the Owner thereof.

## ARTICLE I

### DEFINITIONS

Section 1. "Cardinal Lake" when used herein shall refer to all of the Property.

Section 2. "Association" shall mean and refer to Cardinal Lake Owners Association, Inc., a North Carolina non-profit corporation, its successors and assigns, and any other community or owners association within Cardinal Lake organized by the Declarant or by others with the consent of the Declarant.

Section 3. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any real property in Cardinal Lake which has been subjected to the provisions of this Declaration, including, but not limited to, owners of any portion of the Property but excluding those having such interest merely as security for the performance of an obligation.

Section 4. "Property" shall mean and refer to any tract of land or subdivision thereof in Cardinal Lake which has been subjected to the provisions of this Declaration or any Supplemental Declaration as may be referenced in deeds issued by the Declarant or any third party with the consent of the Declarant, including without limitation all that certain real property described herein.

Section 5. "Common Area" shall mean all real and personal property, together with easement rights and dedicated portions of the Property, which may be deeded to or otherwise acquired by the Association for the common use and enjoyment of the Owners, including any areas entitled "Common Open Space", recreational facility or area, storm water impoundments and related facilities, landscaping, lakes, ponds, parks or trails.

Section 6. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 7. "Declarant" shall mean and refer to **Crossmann Communities of North Carolina, Inc.**, a North Carolina corporation, its successors and assigns, and any agent or agents appointed by **Crossmann Communities of North Carolina, Inc.**, its successor and/or assigns, to act on its behalf for the purpose of administering or enforcing, in whole or in part, the rights herein reserved to said Declarant.

Section 8. "Development Plan" when used in this Declaration shall mean and refer to the plan for development contained in the site plan for Cardinal Lake submitted to and approved by the City of **Durham**. Since the concepts of the future development of Cardinal Lake are subject to continuing revision and change by the Declarant, present and future references to the "Development Plan" shall be references to the Development Plan as it is supplemented from time to time by Approved Site Plans. All references to "Future Development" or "Future Townhouses" hereunder shall be as shown by the

Development Plan as such may be modified by any plat recorded at the **Durham** County Registry.

Section 9. "Site Plans" as used herein shall mean and refer to site plans which plan for the development of a portion of the Property. "Approved Site Plans" as used herein shall mean and refer to a Site Plan which has been finally approved by both the City of **Durham** and the Architectural Review Committee as provided hereunder.

Section 10. "Open Space" shall mean and refer to all those parcels of real property within Cardinal Lake designated as "Open Space" or "Common Area" in the Development Plan as the Development Plan may be modified and/or updated from time to time by various Site Plans as such Site Plans are approved by the City of **Durham**.

Section 11. "Single Family Lots" as used herein shall mean and refer to all those portions of the Property intended for subdivision or subdivided into lots intended for the construction of detached dwelling units.

Section 12. "Townhouse Lots" as used herein shall mean and refer to all those portions of the Property intended for subdivision or subdivided into lots intended for the construction of attached dwelling units.

Section 13. "Common Expenses" as used herein shall mean:

- (a) All sums lawfully assessed by the Association against its members;
- (b) Expenses of administration, maintenance, repair or replacement of the Common Areas or Open Space;
- (c) Expenses declared to be common expenses by the provisions of this Declaration or the Bylaws:
- (d) Expenses agreed by the members to be Common Expenses of the Association;
- (e) Expenses for maintenance of the townhouses as set forth in this Declaration, expenses for maintenance of private streets and storm drainage facilities serving more than one lot and located outside of public streets rights of way, if any, as provided in this Declaration;
- (f) Hazard, liability or such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase;
- (g) Ad valorem taxes and public assessment charges lawfully levied against Common Areas; and,
- (h) Unpaid assessments resulting from the purchase of a townhouse at a foreclosure sale (such assessment shall be collectible from all members of the Association, including the purchaser at the foreclosure sale, his successors and assigns).

## ARTICLE II

### PROPERTY

Section 1. Property Made Subject to Declaration. The Property is hereby made subject to this Declaration and the Property shall be owned, held, leased, transferred, sold, mortgaged and/or conveyed by Declarant, the Association and each Owner subject to this Declaration and the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration.

Section 2. Subdivisions. Additional restrictions may be imposed upon a Subdivision (or portion thereof) by the filing of record a supplemental declaration ("Supplemental Declaration") which has been executed by the Declarant and the Owner(s) of property within the Subdivision (or portion thereof) to which the restrictions are applicable. The Supplemental Declaration shall include such specific additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens as may be set forth in the Supplemental Declaration, which such specific additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens shall encumber any such portion of the Property as are set forth and described in each respective Supplemental Declaration; provided, however, that such additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens as may be contained in each such Supplemental Declaration shall be in addition to and not in lieu of the restrictions contained herein and, in the event of a conflict between a Supplemental Declarant and this Declaration, the more restrictive of the two shall control.

## ARTICLE III

### ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. The Declarant shall be a Member of the Association, and a creditor who acquires title to any portion of the Property pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure shall be a Member of the Association. Every Owner shall be a Member of the Association.

Section 2. Voting Rights. The Association shall have three (3) classes of membership:

Class A. Class A Members shall be all Owners of Single Family Lots. Class A Members shall be entitled to one (1) vote for each Single Family Lot owned.

Class B. Class B Members shall be the Owners of Townhouse Lots. Class B Members shall be entitled to one ( 1 ) vote for each Townhouse Lot owned.

Class C. The Class C Member(s) shall be the Declarant and its successors and/or assigns. Class C Members shall be entitled to three ( 3 ) votes for each Townhouse Lot or Single Family Lot owned; provided, however that the Class C membership shall terminate and be converted to Class A membership for a Single Family Lot or Class B membership for a Townhouse Lot, whichever applies to the particular Class of Lots, upon the earlier of:

(i) the date the total votes outstanding in the Class A and Class B memberships equal the total

votes outstanding in the Class C membership; provided that the Class C membership shall be reinstated with all rights, privileges, responsibilities and voting power if, after conversion of the Class C membership to Class A or B membership, additional lands are annexed to the Property by the Declarant as provided in Article XIII of this Declaration; or

(ii) December 31, 2010 and after that date there shall be no Class C Members.

When any property entitling the Owner to membership is owned of record in the name of two (2) or more persons or entities, whether fiduciaries, joint tenants, tenants in common, tenants by the entirety, or other manner of joint ownership, or if two (2) or more persons or entities have the same fiduciary relationship respecting the same property, then unless the instrument or order appointing them or creating the tenancy otherwise directs and it, or a copy thereof, is filed with the Secretary of the Association, their acts with respect to voting shall have the following effect:

- (1) If only one (1) votes, in person or by proxy, his act shall bind all;
- (2) If more than one (1) votes, in person or by proxy, the act of the majority so voting shall bind all;
- (3) If more than one ( 1 ) votes, in person or by proxy, but the vote is evenly split on any particular matter, each fraction shall be entitled to its proportionate share of the vote or votes;
- (4) If the instrument or order filed with the Secretary of the Association shows that any such joint tenancy is held in unequal interest, a majority or even split under subparagraphs (2) and (3) immediately above shall be a majority or even split in interest in the property to which the vote(s) is/are attributable;
- (5) The principles of this paragraph shall apply, insofar as possible, to execution of proxies, waivers, consents or objections, and for the purpose of ascertaining the preserve of a quorum.

Section 3. Governance. The Association shall be governed by a Board of Directors consisting of three (3) members until December 31, 2010, or until such time as there are no Class C Members, whichever first occurs, and five (5) members thereafter. The term of such Directors is to be determined in accordance with the provisions of the Articles of Incorporation of the Association. There shall be two (2) classes of Directors: Class I Directors shall be elected by the Class A and Class B Members, and Class II Directors shall be elected by the Class C Members. The Class I Directors shall consist of two (2 ) Class A Members, two (2) Class B Members, and one (1) "at large" Member. All of the Directors shall be Class II Directors until December 31, 2010, or until such time as there are no Class C Members. After December 31, 2010, all of the Directors shall be Class I Directors. If at any time following December 31, 2010 there are no members of any respective Class, a Member of which is to serve as a Class I Director, then the number of Class I Directors shall be reduced by the number of such memberless classes until such time as such class(es) has/have member(s). At such time, the number of Class I Directors shall be increased to provide for the fact that the class then has membership and the member of said class shall become the Class I Director for that respective class (the "Replacement Director"); or if there should be more than one (1) such member, then those members shall elect an individual to serve as the Replacement Director. In either case, the Replacement Director shall serve until the next election of

Directors.

Section 4. Election of the Board of Directors. Each Member shall be entitled to as many votes as equals the total number of votes he is entitled to based on his Ownership of or Tenancy in one (1) or more of the various classifications of property as computed by the formula set out herein above. Each Member may cast the total number of votes to which he is entitled for each vacancy to be filled by a Class I or Class II Director. Cumulative voting shall not be allowed.

Section 5. Quorum Required for Any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any action which is subject to a vote of the members at an open meeting of the Association shall be as follows:

(a) The first time a meeting of the Members of the Association is called to vote on (i) an increase in the Maximum Regular Annual Assessment as provided herein, (ii) a Special Assessment, (iii) the gift or sale of any Common Area, (iv) an Amendment to this Declaration, or (v) the termination of this Declaration, the presence of Members or proxies entitled to cast thirty percent (30%) of the total vote of the Membership required for such action shall constitute a quorum.

(b) The first time a meeting of the Members of the Association is called to vote on any other action, the presence at the meeting of Members or proxies entitled to cast fifteen percent (15%) of the total vote of the Membership required for such action shall constitute a quorum.

If the required quorum is not present at any meeting described above, with the exception of any meeting called to vote on the termination of this Declaration another meeting or meetings may be called subject to the giving or proper notice, and the required quorum at such subsequent meeting or meetings shall be one-half ( $\frac{1}{2}$ ) of the required quorum at the preceding meeting.

Unless otherwise provided, any reference hereafter to "votes cast at a duly called meeting" shall be construed to be subject to the quorum requirements established by this section of this Article and any other requirements for such "duly called meeting" which may be established by the Bylaws of the Association. For the purpose of this section, "proper notice" shall be deemed to be given when given each Member not less than fifteen (15) days nor more than sixty (60) days prior to the date of the meeting at which any proposed action is to be considered.

Section 6. Proxies. All Members of the Association may vote and transact business at any meeting of the Association by proxy authorized in writing.

Section 7. Ballots by Mail. When required by the Board of Directors, there shall be sent with notices of regular or special meetings of the Association, a statement of certain motions to be introduced for vote of the Members and a ballot on which each Member may vote for or against each such motion. Each ballot which is presented at such meeting shall be counted in calculating the quorum requirements set out above. Provided, however, such ballots shall not be counted in determining whether a quorum is present to vote upon motions not appearing on the ballot.

Section 8. Board of Directors Vote. Upon election hereunder, each Director shall have the same vote as any other Director.

Section 9. Meetings of Class B Members. There may be a duly called regular meeting or special meeting of Class B Members only to determine regular and special assessments and increases in assessments which apply to the exterior maintenance of the townhouses, townhouse Lots and the townhouse common areas. Such a meeting may be held on the same day and preceding to or subsequent to a meeting of all Members. This provisions of this Article III and Article IV shall also govern any meetings of Class B Members.

## ARTICLE IV

### COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, hereby covenants, and each Owner of any portion of the Property (other than the Association) by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association, in addition to any assessments required under a Supplemental Declaration, the following: (1) annual assessments or charges, and (2) special assessments for capital improvements, emergencies, for example, severe storm damage, budget shortfalls and capital repairs, such assessments to be established and collected as hereinafter provided. All assessments, together with interest, costs, late fees and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each assessment, together with interest, costs, late fees and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Property and for the improvement and maintenance of Open Space and Common Areas (including without limitation storm water facilities, lakes, private drives or streets, recreation facilities), for the establishment of adequate reserves for the replacement of capital improvements, if any, located within the Common Area, Directors and Officers insurance, payment of management fees, payment of insurance premiums for contracts of hazard and liability insurance on the Common Area and on other portions of the Property and payment of local ad valorem taxes or governmental charges, if any, on the Common Area, exterior maintenance of the Townhouses, and maintenance of landscaped areas within the Property which are maintained by the Association and other expenses related to the Association and as approved by the Board of Directors. It shall be expressly understood that due to differences which may exist with respect to the plan of development for Single Family Lots and Townhouse Lots, there are certain additional assessments which are unique to the Townhouse Lots, for example, exterior maintenance and private trash collection, and they shall be included in the assessments for the Townhouse Lots and not within the assessments for the Single Family Lots located within the remainder of the Property.

Section 3. Maximum Annual Assessment. The Maximum Regular Annual Assessment, as set forth in the schedule herein below, and as is automatically increased annually pursuant to subparagraph (h) below, shall be levied by the Association and shall be in addition to Special Assessments and any assessments created by any Supplemental Declaration. If, however, the Board of Directors of the Association, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Assessment less than the Maximum Regular Annual Assessment, it may levy such lesser Assessment; provided, however, so long as the Declarant is engaged in the development

of properties which are subject to the terms of this Declaration, the Association may not reduce Assessments below those set out below without the written consent of the Declarant. The levy of an Assessment less than the Maximum Regular Annual Assessment in one ( 1 ) year shall not affect the Board's right to levy an Annual Assessment equal to the Maximum Regular Annual Assessment in subsequent years.

If the Board of Directors shall levy less than the Maximum Regular Annual Assessment for any Assessment year, such Annual Assessment shall automatically be five percent (5%) greater than the Annual Assessment levied for the previous Assessment year; provided, however, that the Board of Directors may, by majority vote, levy a greater or lesser Assessment if it shall determine that the important and essential functions of the Association will be properly funded by such greater or lesser Assessment.

If the Board of Directors shall levy less than the Maximum Regular Annual Assessment for any Assessment year and, thereafter, during such Assessment year, determine that the important and essential functions of the Association cannot be funded by such lesser Assessment, the Board may, by majority vote, levy a Supplemental Assessment. In no event shall the sum of the initial and Supplemental Assessments for that year exceed the applicable Maximum Regular Annual Assessment.

(a) From and after the execution date of this Declaration, the Maximum Regular Annual Assessment shall be the sums calculated in accordance with the following Assessment Schedule, as shall be automatically increased in each instance by an inflation adjuster as set forth herein, and as may be increased pursuant to the provisions set forth immediately above:

Property Type	Maximum Regular Annual Assessment
Single Family Lots	<b>\$600</b> per Single Family Lot
Townhouse Lot	<b>\$1260</b> per Townhouse Lot

(b) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Single Family Lot or Townhouse Lot until the first day of the month following the recording of a plat in the Office of the Register of Deeds of **Durham** County, North Carolina, showing such Single Family Lot and/or Townhouse Lot.

(c) For purposes of these Covenants and these Annual Assessments, all properties which have not been subdivided into and classified as Single Family Lots or Townhouse Lots shall be classified as Unsubdivided Land and not subject to Assessments.

(d) Assessments shall be billed annually, quarterly, monthly or on such other basis as may be determined by the Board of Directors. The billing schedule shall be the same for all properties of a specified category; however, the Board of Directors, in its discretion, may establish different schedules for the billing of Assessments due from different categories of property. All Assessment bills shall be due and payable as determined by the Board of Directors; provided, however, that if the Board of Directors elects to utilize a Billing Agent, the Billing Agent shall set the date on which Assessment bills shall be due and payable. Further, the Board of Directors may authorize the billing of the Annual Assessment in different installment amounts throughout the year in order to provide adequate cash flow.

(e) The Board of Directors may authorize a billing agent (the "Billing Agent") to collect the

Assessments provided for herein.

(f) The Owner of any assessable property which changes from one category to another during an Assessment year shall be billed an additional amount for the remaining full months of such year to reflect the category change.

(g) Except as provided herein from and after the date of the execution of this Declaration, the Maximum Regular Annual Assessment shall be automatically increased each year by an amount of five (5%) percent per year over the previous year, or the percentage increase between the first and last months of the thirteen (13) month period terminating at the end of the third (3rd) quarter of the previous Assessment year in the Consumer Price Index, U.S. City Average. All Items (1967-100) (hereinafter "C.P.I. ") issued by the U. S . Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas", whichever of these two percentage figures is larger. If the C.P.I. is discontinued, then there shall be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living.

(h) Any increase in the Base Amount (base amount being defined as the assessment which would be applicable for a Lot without the additional townhouse expenses of exterior maintenance, etc. as set out herein) of the Maximum Regular Annual Assessment shall be made in such a manner that the proportionate increase in such Assessment is the same for Owners of Single Family Lots and Townhouse Lots. Any time the actual Assessment for the base amount levied by the Board of Directors of the Association is less than the Maximum Regular Annual Assessment, such decrease shall be proportionate among the Owners of Single Family Lots and Townhouse Lots. The decrease or increase received by each class of Owners of the various classes of property may be made disproportionately by the favorable vote of seventy-five (75%) percent of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, and by the favorable vote of seventy-five percent (75%) of the votes cast at said meeting by the Members of the classes whose proportionate share is being raised.

Section 4. Special Assessments for Improvements and Additions. In addition to the Maximum Regular Annual Assessments authorized by Section 3 hereof, the Association acting through the Board of Directors may levy Special Assessments for the following purposes:

(a) For additions to the Common Areas.

(b) To provide for the necessary facilities and equipment to offer the services provided by the Association.

(c) To repay any loan made to the Association to enable it to perform its duties and functions and to offset unplanned expenses or recoup lost income from bad debt.

(d) To provide for Townhouse exterior maintenance, repair and replacement, which special assessments may be approved solely by the Townhouse Members at a duly called special meeting of Class B Members.

(e) Such Special Assessment, before being charged, must have received the approval of the Members of the Association by the favorable vote of fifty-one percent (51 %) of the votes cast at a duly called meeting of the Association, or of the Class B Members, whichever the case may be, subject to the

quorum requirements established herein by each class of voting members.

This provision shall be interpreted to mean that the Association may make in any one ( 1 ) year an Annual Assessment up to the maximum set forth herein, plus an additional Special Assessment. The fact that the Association has made an Annual Assessment for an amount up to the Maximum Regular Annual Assessment shall not affect its right to make a Special Assessment during the year.

The proportion of each Special Assessment to be paid by the Owners of the various classifications of assessable property shall be equal to the proportion of the Annual Assessments levied for the Assessment year during which such Special Assessments are approved by the Members. In no event shall a Special Assessment be levied during the time period where the Class C Member has 51% or more of the eligible votes.

Section 5. Reserve Funds. The Association shall establish reserve funds from its Annual Assessments to be held in reserve in an interest drawing account as a reserve for:

- (a) Major rehabilitation or major repairs;
- (b) For emergency and other repairs required as a result of storm, fire, natural disaster or other casualty loss; and
- (c) Initial costs of any new service to be performed by the Association.
- (d) Private Street maintenance and repair, if applicable.
- (e) Townhouse exterior maintenance, repair and replacement.
- (f) Municipality mandated stormwater bond and/or certificate of deposit for maintenance of stormwater facilities.

Section 7. Change in Maximum Amounts of Annual Assessments Upon Merger or Consolidation. The limitations regarding assessments set forth herein shall apply to any merger or consolidation in which the Association is authorized to participate under the provisions herein and under the By-Laws of the Association.

Section 8. Date of Commencement of Annual Assessments, Due Date. Notwithstanding anything in the foregoing to the contrary, the Annual Assessments provided for herein shall commence no earlier than the time of the transfer of a Single Family Lot or Townhouse Lot following the issuance of a Certificate of Compliance/Occupancy or similar instrument for the dwelling constructed on said Lots to a purchaser. In any event, nothing herein shall be construed to require the Declarant to pay any annual assessments. However, so long as there are Class C Members, the Declarant shall fund deficiencies in the budget of the Association upon request of the Board of Directors. Further, there shall be paid to the Association at the time of the first transfer of each and every Single Family Lot or Townhouse Lot following the issuance of a Certificate of Compliance or similar instrument for the dwelling constructed on said Lots an amount of **working capital** equal to one-fourth (1/4) in the event of a Single Family Lot, or two months equivalent, in the event of a Townhouse Lot, of the amount of the Annual Assessment then in effect in order to establish a working capital fund. Also, in addition, there shall be paid to the Association at the time of the first transfer of each and every Single Family Lot or Townhouse Lot

following the issuance of a Certificate of Compliance or similar instrument for the dwelling constructed on said Lots the sum of \$ 50.00 to provide working capital for the municipality mandated stormwater bond and/or certificate of deposit for maintenance of stormwater facilities. All such amounts shall be in addition to and shall not be considered an advance payment of any portion of the Annual Assessment.

Section 9. Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of the Annual Assessment against each Single Family Lot or Townhouse within the Assessment Schedule as provided herein above, and shall, at that time, direct the preparation of an index of the Properties and Annual Assessments applicable thereto, and any Special Assessments applicable thereto, which shall be kept in the office of the Association and which shall be open to inspection by any Member. Written notice of Assessment shall thereupon be sent to every Member subject thereto.

The Association shall upon demand at any time furnish to any Owner liable for said Assessments a certificate in writing signed by an Officer of the Association, setting forth whether said Assessments have been paid. Such certificate shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid. If the Board of Directors authorizes a Billing Agent to collect Assessments, the Certificate of the said Billing Agent shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid. The Board of Directors may charge the Owner a reasonable fee for providing the certificate or direct that such fee be paid to the Association's management company. The Declarant may not be charged such a fee upon the initial sale of a Townhouse Lot or Single Family Lot.

Section 10. Payment and Collection of Assessments. If the Annual Assessment or any Special Assessment is not paid on or before the past due date specified in the assessment bill (the "Assessment Bill") as mailed to the Owner(s), then such Assessment shall become delinquent and shall (together with interest thereon at the maximum annual rate permitted by law from the due date and cost of collection thereof including a reasonable attorney's fee as hereinafter provided and applicable late fees) become a charge and continuing lien on the land and all improvements thereof, against which each such Assessment is made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns. Additionally the Board of Directors may impose the maximum late charge on any unpaid sum allowed by law.

If the Assessment is not paid within thirty (30) days after the past due date indicated in the Assessment Bill, the Association may, in addition to enforcing a lien as provided hereunder, bring an action at law against the Owner personally and there shall be added to the amount of such Assessment the costs of preparing the filing of the Complaint in such action and a reasonable attorney's fee, and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and a reasonable attorney's fee together with the costs of the action. The lien of the assessment shall be as of the due date of the assessment indicated in the Assessment Bill.

In the event an Officer or Director is has delinquent assessments more than sixty (60) days past due, said Officer or Director is automatically removed from office.

If the Board of Directors of the Association elects to utilize a Billing Agent to collect Assessments, interest which shall accrue on past due sums will be the maximum interest rate which such agent may lawfully charge.

Further, the Association may in addition to the other remedies provided for hereunder, suspend

an owner's right to use any recreational facilities which may constitute a part of the Common Area for such time as an assessment remains unpaid as provided in Section 1 of Article XI hereunder.

Section 11. Subordination of the Lien. The Lien of the Assessments provided for herein shall be subordinate to the lien of any first deed of trust now or hereafter placed upon any portion of the Property. In the event a creditor acquires title to any property subject to Assessment pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, said creditor shall be subject to Assessments accruing after such acquisition.

Section 12. Exempt Property. The following property, individuals, partnerships or corporations subject to this Declaration shall be exempted from the Assessment, charge and lien created herein:

- (a) All lands and any improvements thereon designated in any way as Common Area.
- (b) All lands and any improvements thereon committed to the Association through express written notification by the Declarant to the Association of intent to convey to the Association.
- (c) Open Space Areas herein.
- (d) Property which is used for the maintenance, operation and service of facilities within Common Areas.
- (e) Property which is used for the maintenance, operation and service of utilities within the Property.
- (f) The grantee in conveyances made for the purpose of granting utility easements.

Section 13. Annual Statements. The President, Treasurer or such other Officer as may have custody of the funds of the Association shall annually, within ninety (90) days after the close of the fiscal year of the Association, prepare and execute under oath a general itemized statement showing the actual assets and liabilities of the Association at the close of such fiscal year and a statement of revenues, costs and expenses. It shall be necessary to set out in the statement the name of any creditor of the Association, provided, however, that this requirement shall be construed to apply only to creditors of more than One Thousand and No/100 Dollars (\$1,000.00). Such Officer shall furnish to each Member of the Association, who may make request therefor in writing, a copy of such statement within thirty (30) days after receipt of such request. Such copy may be furnished to the other Member either in person or by mail. Any holder of a first mortgage on a Single Family Lot or Townhouse Lot shall be entitled upon written request to a financial statement for the immediately preceding fiscal year.

Section 14. Annual Budget. The Board of Directors shall prepare and adopt, at least thirty (30) days prior to the Annual Meeting of the Association, a proposed budget outlining anticipated receipts and expenses for the upcoming fiscal year. Within sixty (60) days after adoption of the proposed budget, the Board of Directors shall send to all Owners a written summary of the budget which may be sent together with the notice of the Annual Meeting. The summary of the budget or the notice of meeting, if sent together therewith, shall include a statement that the budget may be ratified without a quorum. The Annual Meeting shall be held not less than ten ( 10) nor more than sixty (60) days after mailing of the summary and notice. For purposes of the ratification of the budget, there shall be no requirement that a quorum be present at the meeting. The proposed budget shall be ratified unless at that meeting a majority

of the votes of the Membership of the Association reject the proposed budget. In the event the proposed budget is rejected, the periodic budget last ratified, or otherwise then in effect, shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors. The financial books of the Association shall be available for inspection by all Members at all reasonable times.

Section 15. Additional Assessment Matters and Requirements For Townhouses. Due to the requirement for exterior maintenance of Townhouses, additional assessments may be included in a Townhouse Lot assessment and not within the assessments for the Single Family Lots located within the remainder of the Property:

Section 15.1. Insurance. It shall be the responsibility of each Owner, at his own expense, to obtain hazard insurance in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of damage or destruction to his Townhouse from any hazard. The hazard insurance shall be with a company, in an amount, and in a form which is acceptable to the Association's Board and shall include a loss payable clause listing the Association as an additional insured. Each Owner shall satisfy the Association's Board that at all times his property is covered by the required hazard insurance.

In the event of damage to an Owner's property, the Owner shall contract to rebuild or repair such damaged portions of the property in as good condition as formerly. In the event the Owner fails to commence, and thereafter diligently pursue, the repair or rebuilding of its property to the same condition as formerly within one hundred eighty days, the Association's Board, upon obtaining the required Member approval, shall have the power to purchase the Owner's property, to repair and rebuild the same and the adjoining party wall(s), and to levy a Special Assessment, as set forth herein, against all Members to pay the purchase price and the costs of repairing and/or rebuilding. In the event the Association exercises its repair/rebuild rights under this Section, the Association shall be entitled to receive and use any and all insurance proceeds payable under the policy to the extent necessary to repair/rebuild the damaged property.

In the event of damage to any property covered by insurance written in the name of the Association, the Association's Board shall, with concurrence of the mortgagee, if any, upon receipt of the insurance proceeds, contract to rebuild or repair the damage to as good condition as formerly. In the event the insurance proceeds are insufficient to pay all of the costs of repairing and/or rebuilding to the same condition as formerly, the Association's Board shall, upon obtaining the required Member approval, levy a Special Assessment against all Members to make up any deficiency.

No Owner shall do or keep anything on the Property which shall cause an increase in the premiums for or the cancellation of any insurance maintained by the Association.

Section 15.2. Party Wall. Each wall which is built as a part of the original construction of the Townhouse and placed on the dividing line between the Lots and all reconstruction or extensions of such walls shall constitute party walls. To the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls, lateral support, in-below ground construction and of liability for property damage due to negligence or willful acts or omissions shall apply.

The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it. If other Owners make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use; subject, however, to the right of any Owners to call for a larger contribution from the others under any rule of law regarding liability for negligence or willful acts or omissions.

The Owner may construct or reconstruct a party wall subject to and within the limitations of architectural control and other limitations of this Declaration with the right to go upon the adjoining Lot to the extent reasonably necessary to perform the construction. The construction shall be done expeditiously. Upon completion of the construction, the Owner shall restore, as is reasonably practicable, the adjoining Lot to as near the same condition which prevailed on or before the commencement of the construction.

Notwithstanding any other provisions of this Article, an Owner who, by his negligence or willful act, causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against those elements.

The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to the Owners' successors in title.

If any Owner desires to sell his Townhouse, he may, in order to assure a prospective purchaser that no adjoining Owner(s) has a right of contribution as provided in this Article, request that the adjoining Owner(s) provide a certification that no right of contribution exists. It shall be the duty of each adjoining Owner to make such certification immediately upon request and without charge; provided, however, that where the adjoining Owner claims a right of contribution, the certification shall contain a recital of the amount claimed. In the event an adjoining Owner refuses or neglects to provide such certification, it shall be deemed a waiver to proceed against such Owner or his successors for any contributions which may have accrued to that date. These certificates shall be conclusive evidence as to third parties acting on reliance on the statement.

Section 15.3. Exterior Maintenance. In addition to maintenance of the Common Areas, the Association shall provide exterior maintenance for each Townhouse Lot following the issuance of a Certificate of Compliance/Occupancy or similar instrument for the dwelling constructed on said Lot and transferred to a purchaser as follows: Paint, repair and replace exterior Building surfaces, roofs, front porch rails, if applicable, gutters and downspouts, if applicable; maintenance of trees, shrubs, grass, walks, and driveways within the Common Areas; and maintenance of all other exterior Improvements initially installed by Builder. This exterior maintenance shall not include any maintenance specifically designated as the Owner's responsibility in this paragraph or elsewhere in this Declaration. In order to enable the Association to accomplish the foregoing, it is reserved to the Association the right to unobstructed access over and upon each Lot and each Townhouse at all reasonable times to perform maintenance as provided in this section. The Owner shall not place any furniture, place or construct any Improvements, or plant any vegetation in the front yard or, except with the prior approval required by this Declaration, in the rear yard of a Lot. After receiving the required approval, the Owner may plant flowers and grass in his rear yard and may also maintain portions or all of his rear yard, provided that such maintenance by the Owner does not hinder the Association in performing its exterior maintenance obligations. In that event, the Owner shall maintain such plantings or other maintenance. No such maintenance by an Owner shall reduce the assessment payable by him to the Association. If, in the opinion of the Association, any Owner fails to maintain his rear yard in a neat and orderly manner, the

Association may perform the required maintenance and assess Owner for those costs.

Maintenance, upkeep, and repairs of any patio, deck, porch decking, HVAC equipment, screens and screen doors, exterior doors, storm doors and storm windows, exterior electrical outlets, exterior lights, exterior faucets, dryer vents and windows and window fixtures and other hardware shall be the sole responsibility of the individual Owner of the Lot and not in any manner the Association's. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of all exterior portions and roofs of the Townhouses and of the Common Areas, including, but not limited to, recreation and parking areas and walks and private streets, shall be taken by the Association or by its duly delegated representatives. All fixtures and equipment installed with a Townhouse commencing at a point where the utility lines, pipes, wires, conduits, or systems are within the Townhouse's exterior walls, including the courtyards, shall be maintained and kept in repair by the Owner thereof. An Owner shall do no act, nor any work that will impair the structural soundness or integrity of another Townhouse, nor impair any easement or hereditament, nor do any act or allow any condition to exist which will adversely affect other Townhouses or their Owners. All private utility systems (other than those serving a single Lot and those systems in public easements and public streets) located outside the exterior walls and/or within the Common Areas shall be maintained by the Association as a common expense. All public utility systems located outside the exterior walls and within the utility easements shall be maintained by the appropriate utility company or governmental authority.

In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his family guests, tenants, contractors, employees or invitees, or is caused by any hazard covered under a North Carolina Standard Fire and Extended Coverage Insurance policy, and is not otherwise paid, the cost of such maintenance or repair may be added to and become a part of the Assessment to which the Lot is subject.

The Association shall establish regulations governing the procedure for exterior maintenance. In the event any Owner desires to expend a sum greater than that sum authorized by the Association, he/she shall advance to the Association, prior to the commencement of work an amount necessary to cover the additional expenses and a lien shall be established against the Owner's Lot for any deficiency.

## ARTICLE V

### FUNCTIONS OF ASSOCIATION

Section 1. Ownership and Maintenance of Properties. The Association shall be authorized to maintain such structures and/or dwellings as may be required under the provisions of any Supplemental Declaration. Further, the Association shall be authorized to own and/or maintain Common Areas, equipment, furnishings and improvements devoted to the following uses.

- (a) For roads, roadways, roadway medians and parkways along said roads or roadways, cul-de-sac islands, and neighborhood or other area entrances throughout the Property;
- (b) For sidewalks, walking paths or trails, bicycle paths and other recreational paths through the Property;
- (c) For transportation facilities throughout the Property

(d) For security and fire protection services including security stations, guardhouses, police equipment, fire stations and fire fighting equipment, and buildings used in maintenance functions;

(e) For emergency health care including ambulances, rescue squad facilities, emergency care medical facilities and the equipment necessary to operate such facilities;

(f) For purposes set out in deeds by which Common Areas are conveyed to the Association, provided that such purposes shall be in accordance with the terms of this instrument;

(g) For indoor and outdoor recreational and community facilities;

(h) For water and sewage facilities (including without limitation storm water management facilities) and any other utilities, if not adequately provided by a private utility, County or City.

(i) For providing any of the services which the Association is authorized herewith or under Chapter 47F of the North Carolina General Statutes.

The Association shall also be authorized to borrow funds from the Declarant or other lenders to fund the provision for services (described below), issue promissory notes and security instruments therefore, and repay such loans through future annual assessments.

In addition to the above, the Association shall be responsible to maintain landscaping and improvements within and adjoining public dedicated rights of way in Cardinal Lake such as landscape islands, special landscape paving, landscaping adjacent to roads and signage.

Section 2. Minimum List of Functions and Services. The "Minimum List of Functions and Services" shall establish and defined the minimum level of functions and services which the Association must furnish to its Members. The "Minimum List of Functions and Services" is as follows:

(a) The Association shall provide or procure the administrative services necessary to carry out the Association's obligations and business under the terms of this Declaration, the Articles of Incorporation of the Association, and the By-Laws of the Association, including, but not limited to, legal, accounting, financial and communications services.

(b) The Association shall administer and enforce the covenants and restrictions established in this Declaration and also established in any Supplemental Declaration, including, but not limited to, the following:

(1) The Association shall set Assessments, levy cash Assessments, notify the Members of such Assessments and collect such Assessments;

(2) The Association shall prepare accurate indexes of Members, Property Classifications, Votes and Assessments;

(3) Upon such time as the Declarant is no longer authorized to appoint the members of the Architectural Review Committee, the Association shall operate as Architectural Review Committee as provided herein;

(4) The Association shall maintain and operate all Common Areas and;

(5) The Association shall hold Annual Meetings and Special Meetings hold elections for the Board of Directors as required and give Members "proper notice" as required; and

(6) The Association shall prepare Annual Statements and Annual Budgets and shall make the financial books of the Association available for inspection by Members at all reasonable times.

(c) Should the Declarant appoint the Association its agent for the administration and enforcement of any of the provisions of this instrument or any other covenants and restrictions of record, the Association shall assume such responsibility and any obligations which are incident thereto.

(d) The Association shall provide appropriate liability and hazard insurance coverage as provided herein for improvements and activities on all Common Areas.

(e) The Association shall provide appropriate Director's and Officers' Legal Liability Insurance and indemnify persons pursuant to the provisions of the Articles of Incorporation of the Association.

(f) The Association shall keep a complete record of all its acts and corporate affairs.

(g) The Association shall provide regular and thorough maintenance and cleanup of all Common Areas, including, but not limited to, mowing of grass, fertilization as needed, landscape maintenance as needed, pickup and disposal of trash, washing down of picnic tables and benches as needed.

## ARTICLE VI

### INSURANCE

Section 1. Ownership of Policies. Contracts of insurance upon the Common Area and upon other property as the Association may deem necessary or desirable shall be purchased by the Association for the benefit of the Association and its mortgagees, if any, as their interests may appear all in accordance with Section 47F - 3-113 of the North Carolina General Statutes. The Association may re-evaluate its coverage from time to time and may provide, subject to Section 2 of this Article, for such insurance coverage as it deems appropriate.

Section 2. Coverage. All improvements and personal property included in the Common Area shall be insured in an amount equal to at least one hundred percent ( 100%) of their insurable replacement value as determined annually by the Association with the assistance of the insurance company underwriting the coverage. Such coverage shall provide protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement and such other risks as from time to time shall be customarily covered with respect thereto. In addition, the Association shall acquire and maintain in full force and effect a policy of insurance which insures against any public liability arising out of its ownership of the Common Area and the use and operation thereof with limits of liability therefor of not less than One Million Dollars (\$ 1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to a single Owner. There shall also be obtained such other insurance coverage as the Association shall from time to time determine to be desirable and

necessary or as may be required by the Federal Housing Authority, Veterans Administration or Federal National Mortgage Association. Such policies shall contain clauses providing for waiver of subrogation, if possible.

Section 3. Fidelity Insurance or Bond. All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to at least one-half the annual assessment plus reserves accumulated.

Section 4. Premiums. Premiums for contracts of insurance purchased by the Association shall be paid by the Association and charged ratably to the Owners as an assessment according to the provisions regarding assessments contained herein.

Section 5. Proceeds. All contracts of insurance purchased by the Association shall be for the benefit of the Association and its mortgagees, if any, as their interests may appear, and the owners, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The sole duty of the Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein.

Section 6. Distribution of Insurance Proceeds. Proceeds of contracts of insurance received by the Association as insurance trustee shall be distributed to or for the benefit of the beneficiary or beneficiaries thereof in the following manner:

(a) The proceeds shall be paid first to defray the cost of reconstruction and repair of casualty or liability so covered.

(b) Any expense of the insurance trustee may be paid from proceeds after payment of reconstruction or repair expenses or liability. Any proceeds remaining thereafter shall be distributed to the beneficiary or beneficiaries of the trust.

## ARTICLE VII

### AMENITIES

Section 1. General. In order to facilitate the development of the Property, Declarant may construct upon the Property various amenities (the "Amenities") in its complete discretion, including playgrounds, lakes, parks, trails and/or a swimming pool facility as provided in the Development Plan. Declarant, for itself, its successors and assigns and its agent and the Association, for itself, its successors and assigns and its agent, reserve a perpetual and alienable easement to go on, over and under any Open Space or Common Area or any other portion of the Property as may be reasonably necessary in order to construct, repair and maintain the Amenities as shown by the Development Plan. Except as otherwise provided herein, such rights shall not create any obligations on the part of the Declarant or the Association to construct, maintain or provide any Amenity.

Section 2. Construction of Amenities. Those Owners who acquire title directly from Declarant to those portions of the Property upon which Amenities are located or are to be located may have agreed to construct said Amenities. In the event any Owner is obligated to construct any Amenities by virtue of the terms of any contract between said Owner and Declarant, said Amenity shall be completed in a timely

fashion. If an Amenity is not completed in a timely fashion, the Declarant and the Association, and their successors, assigns and/or agents, shall have the right to enter upon such property and complete construction of the Amenity. Any such entry shall not be deemed trespass and the cost of such action shall be billed to the Owner and the cost of such corrective action shall act as a lien upon all portions of the Property owned by such Owner. The provisions of this paragraph shall not create any obligation on the part of the Declarant to take any action to effect compliance with this paragraph.

Section 3. Conveyance to Association. At such time as an Amenity is completed in accordance with such designs and standards are as required by all appropriate governmental authorities, title to the Amenity and surrounding Open Space shall be conveyed to the Association by a North Carolina Special Warranty Deed conveying fee simple marketable title to such parcel free and clear of all encumbrances other than those specifically accepted by the Association. Upon such conveyance, the Association shall be responsible for the maintenance of the Amenity. In no event, however, shall the Association be obligated to accept any deed conveying title to any parcel upon which an Amenity is located prior to the time at which (i) the Amenity has been completed in accordance with all appropriate governmental regulations; (ii) if a Certificate of Compliance for the Amenity is required, the time at which said Certificate has been issued; (iii) all deposits and/or performance bonds required by the appropriate governmental authorities are in place; and (iv) fee simple title and surrounding Open Space, free and clear of all encumbrances other than those specifically accepted by the Association can be delivered to the Association.

## ARTICLE VIII

### ARCHITECTURAL AND APPEARANCE CONTROL

Section 1. General. Anything contained in this Declaration which may be construed to the contrary notwithstanding, no tree trimming or removal, grading site preparation or change in grade or slope of any portion of the Property or erection of buildings or houses or exterior additions or alterations to any building situated upon the Property or erection of or changes or additions in fences, hedges, walls and any other structures whatsoever, or construction of any swimming pools or other Improvements, shall be commenced, erected or maintained on any portion of the Property until the Architectural Review Committee (herein called the "Architectural Review Committee") appointed as hereinafter provided, has approved the plans and specifications therefor and the location of such Improvements.

Section 2. Composition. For so long as there is a Class C Member, the Class C Member shall annually appoint the members of the Architectural Review Committee which will be composed of a number of individuals (which number shall be determined by the Board of Directors of the Association), each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a high level of taste and design standards within Cardinal Lake. In the event of the death or resignation of any member of the Architectural Review Committee, Declarant, for so long as it has the authority to appoint the members of the Architectural Review Committee, and thereafter, the remaining members of the Architectural Review Committee, shall designate and appoint a successor. No member of the Architectural Review Committee shall be liable for claims, causes of action or damages (except where occasioned by gross negligence or willful misconduct of such member) arising out of services performed pursuant to this Declaration. Upon final termination of Declarant's membership in the Association, the Board of Directors of the Association shall appoint the members of the Architectural Control Committee on an annual basis provided, however, that at least one (1) member of the Architectural Control Committee be Class A Member and at least one (1) member of the

Architectural Control Committee be Class B Member. At any time Declarant may elect not to appoint the members of the Architectural Control Committee and may assign this right to the Board of Directors of the Association.

Section 3. Procedure. No Improvement of any kind or nature shall be erected, remodeled or placed on any portion of the Property until all plans and specifications therefor and a site plan therefor have been submitted to and approved in writing by the Architectural Control Committee.

With respect to the initial Improvements to be constructed on the Property, the final plans and specifications required hereunder shall include a site plan with building footprints showing distance of the Improvements from the Parcel boundaries, a final plat showing the parcel boundaries, construction drawings showing exterior elevations, a schedule of exterior materials and color scheme, and plans for landscaping. For Improvements other than initial Improvements, the detail of the plans and specifications required therefor shall be as determined necessary by the Architectural Review Committee based on the circumstances of the proposed Improvements. Final plans and specifications for all Improvements proposed to be constructed on any portion of the Property shall be submitted in duplicate to the Architectural Review Committee for approval or disapproval. The Architectural Review Committee is authorized to request the submission of samples of proposed construction materials and is authorized to charge a reasonable fee in association with its review of plans and specifications as said review is required herein. At such time as the plans and specifications meet the approval of the Architectural Review Committee, one complete set of plans and specifications will be retained by the Architectural Review Committee and the other complete set of plans and specifications will be marked "Approved" and returned to the Owner or his designated representative. Such plans and specifications as are so retained by the Architectural Review Committee shall be kept and considered as strictly confidential and shall be utilized to monitor and insure compliance therewith and for no other purpose. If found not to be in compliance with these covenants, conditions and restrictions, or if found to be otherwise unacceptable to the Architectural Review Committee pursuant hereto, one set of plans and specifications shall be returned to the Owner marked "Disapproved", accompanied by a reasonable statement of items found not to be in compliance with these covenants, conditions and restrictions or otherwise being so unacceptable. Any modification or change to the Architectural Review Committee approved set of plans and specifications must again be submitted to the Architectural Review Committee for its inspection and approval. The Architectural Review Committee's approval or disapproval, as required herein, shall be in writing.

The Architectural Review Committee may, but shall not be so required, from time to time publish and promulgate architectural standards bulletins which shall be fair, reasonable and uniformly applied and shall carry forward the spirit and intention of these covenants, conditions and restrictions.

Section 4. Jurisdiction. The Architectural Review Committee is authorized and empowered to consider and review any and all aspects of the construction of any Improvements on any portion of the Property which may, in the reasonable opinion of the Architectural Review Committee, adversely affect the living enjoyment of one or more Owners or the general value of the Property.

Section 5. Enforcement. The Architectural Review Committee and/or the Association shall have the specific, nonexclusive right (but not obligation) to enforce the provisions contained in this Article of this Declaration and/or to prevent any violation of the provisions contained in this Article of this Declaration by a proceeding at law or in equity against the person or persons violating or attempting to violate any such provisions contained in this Article of this Declaration.

Section 6. Definition of "Improvement". The term "Improvement" shall include, but is not limited to, all buildings, storage sheds or areas, roofed structures, parking areas, loading areas, trackage, fences, walls, hedges, mass plantings, poles, mailboxes, driveways, ponds, lakes, changes in grade or slope, site preparation, swimming pools, tennis courts, signs, basketball goals, flag poles, swing sets, playgrounds, tree removal, exterior illumination, changes in any exterior color or shape and any new exterior construction or exterior improvement exceeding \$1,000.00 in cost which may not be included in any of the foregoing. The definition of Improvement does not include shrub or tree replacements or minor pruning of shrubs and trees or any other replacement or repair of any magnitude which ordinarily would be expensed in accounting practice and which does not change exterior colors or exterior appearances. The definition of Improvements does include both original Improvements and all later changes to Improvements.

Section 7. Failure of the Architectural Review Committee to Act. If the Architectural Review Committee fails to approve or disapprove any plans and specifications and other submittals which conform (and which relate to Improvements which will conform) with the requirements hereof or to reject them as being inadequate or unacceptable within thirty (30) days after submittal thereof, it shall be conclusively presumed that the Architectural Review Committee has approved such conforming plans and specifications and other submittals. If plans and specifications or other submittals are not sufficiently complete or are otherwise inadequate, the Architectural Review Committee may reject them as being inadequate or may approve or disapprove part, conditionally or unconditionally, and reject the balance.

Section 8. Limitation of Liability. Neither the Architectural Review Committee nor the members thereof nor Declarant shall be liable in damages or otherwise to anyone submitting plans and specifications and other submittals for approval or to any owner by reason of mistake of judgment, negligence, except for gross negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any plans or specifications.

Section 9. Miscellaneous. No member of the Architectural Review Committee shall be entitled to compensation for services performed pursuant to this Article. The Association shall reimburse members of the Architectural Review Committee for reasonable out-of-pocket expenses.

## ARTICLE IX

### USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, amend, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Property including the Common Area.

Section 2. Use of Property. All portions of the Property shall be occupied and/or used as follows:

(a) Outside clothes lines shall not be permitted upon any Lot.

(b) No sign of any kind shall be displayed to the public view on any portion of the Property other than Common Area or Open Space Areas except one professional sign of not more than six (6) square feet (i) advertising the parcel for sale or rent, (ii) advertising the building contractor constructing improvements during the initial construction and sales period, and (iii) identifying the sales office and or model home of a building contractor; however, the foregoing shall not act to restrict or prohibit Declarant

or home builders and/or building contractors from erecting and maintaining signs and billboards (which signs and billboards must conform to any requirements and/or signage program imposed by the Architectural Review Committee) advertising the subdivision or portions thereof. Notwithstanding the foregoing, all signs erected and maintained must conform with all applicable governmental requirements. Further, both the Declarant and the Association shall have the right and easement, wherever there shall have been placed or constructed a sign in violation of the provisions herein contained to enter immediately upon such property and summarily remove such sign at the expense of the Owner of the parcel where the sign is located.

(c) No house trailers shall be permitted on any portion of the Property, with the exception of a trailer which may be used during the period of initial sales and construction by Declarant and/or its agents which shall be moved immediately upon the completion of such sales and construction. Temporary buildings shall not be permitted on any portion of the Property, except as allowed by the Association rules and regulations as adopted by the Board of Directors. Boats, trailers, campers, tents, recreation vehicles, large commercial vehicles must be kept in a garage with the door closed except for ingress and egress.

(d) No lumber, brick, stone, cinder block, concrete or any other building materials, scaffolding, mechanical devices or any other thing used for building purposes shall be stored on any portion of the Property in an exposed location except for the purpose of construction on such property and shall not be stored on such property for longer than the length of time reasonably necessary for the construction in which same is to be used.

(e) No exposed above-ground tanks will be permitted for the storage of fuel or water or any other substance, except as initially installed by Declarant.

(f) To the extent permitted by law, no exterior antennae, earth satellite station or dish, microwave dish or other similar improvement may be constructed, placed or maintained on any portion of the property without the prior written consent of the Architectural Review Committee.

(g) A resident of the residential structure constructed on the property engaging in a home occupation therein shall comply with all of the provisions of any zoning ordinance then applicable thereto and in addition to any provisions which may be contained therein, no home occupation shall be permitted which generates a significantly greater volume of vehicular traffic or on street parking than would normally occur within a residential neighborhood.

(h) No portion of the Property may be used for hotel or other transient residential purposes. Each lease relating to any portion of the Property or any Improvements thereon (or any part thereof) must be for a term of at least sixty (60) days and must provide that the tenant is obligated to observe and perform all of the terms and provisions of this Declaration applicable to such Property and/or Improvements.

(i) Each Improvement located upon the Property shall be provided with adequate space for the parking of motor vehicles located off of public streets prior to the use of occupancy of said Improvement. No inoperable vehicle or vehicle without a current registration and inspection may be kept on any Lot unless inside of a garage. Parking on the street is prohibited except on a temporary basis.

(j) Prior to the occupancy of a building or structure located upon the Property, proper and suitable provisions shall be made for the disposal of sewage by connection with the appropriate

municipal sewer system.

(k) Owners of any Lots upon which areas are designated on subdivision maps as "Tree Save Area" or similarly described tree protection area shall not disturb, remove or destroy any trees not otherwise damaged or destroyed by natural causes or acts of God, as required by conditions set forth on such recorded subdivision maps.

(l) No fences, except as originally built by Declarant or repairs thereto, shall be allowed on the Townhouse Lots.

(m) Exterior trash containers shall be stored out of sight except when placed for trash pickup on collection days, and shall be promptly be returned to storage after trash pickup.

Section 3. Hobbies and Activities. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles, which might tend to cause disorderly, unsightly or unkept conditions, shall not be pursued or undertaken on any part of any Properties at locations where they can be viewed from any street or upon any portion of the Common Area on any Open Space Area.

Section 4. Animals and Pets. No stable, poultry house or yard or other similar structure shall be constructed or allowed to remain on any portions of the Property, nor shall livestock of any nature or classification whatsoever be kept or maintained on any portion of the Property without the express written permission of the Association first had and obtained. However, a reasonable number of household pets as determined by the Board of Directors of the Association shall be permitted, provided they are not raised for commercial purposes or determined to be a nuisance by the Board of Directors and provided that the Board of Directors of the Association may, in its discretion, pass rules and regulations requiring the clean-up and/or repair by pet owners of all injury, damage or refuse caused by pets to exterior portions of the Property.

Section 5. Prohibited Activities. Noxious, offensive or loud activities shall not be carried on upon any portion of the property. Each Owner shall refrain from any act or use which could reasonably cause embarrassment, discomfort, annoyance or nuisance to the neighborhood. Each Owner shall keep and maintain all portions of the property owned by said Owner in a neat, orderly and well kept manner and shall keep in place adequate measures for erosion, insect, reptile, rodent and fire control. Such maintenance includes, but is not limited to, the following:

- (1) Prompt removal of all litter, trash, refuse and wastes;
- (2) Lawn mowing on a regular basis;
- (3) Tree and shrub pruning;
- (4) Watering by means of a lawn sprinkler system or hand watering as needed;
- (5) Keeping exterior lighting and mechanical facilities in working order;
- (6) Keeping lawn and garden areas alive;

- (7) Removing and replacing any dead plant material;
- (8) Keeping vacant land well maintained and free of trash and weeds;
- (9) Keeping parking areas, mailboxes and driveways in good repair;
- (10) Complying with all governmental health and police requirements;
- (11) Repainting of Improvements; and
- (12) Repair of exterior damage to Improvements.

In the event any Owner fails to maintain his portion of the Property in such fashion, the Declarant and/or the Association and their agents shall have the right to enter upon said property for the purpose of correcting such conditions, including without limitation the removal of trash, and the cost of such corrective action shall be paid by the Owner of the property so entered. Such entry shall not be made until thirty (30) days after the Owner of such property has been notified in writing of the need to take corrective action and unless such Owner fails to perform the corrective action within said thirty (30) day period; provided, however, that should such condition pose a health or safety hazard, such entry shall not be made until the Owner has been notified in writing of the need to take immediate corrective action and unless such Owner fails to perform the corrective action immediately.

Section 6. Governmental Regulations. All governmental building codes, health regulations, zoning restrictions and the like applicable to the Property shall be observed. In the event of any conflict between any provision of such governmental code, regulation or restriction and any provision of this Declaration, the more restrictive provision shall apply.

Section 7. Utilities Easements. Declarant reserves an easement for and the right at any time in the future to grant a right-of-way and easement for the purpose of drainage, underground or above ground installation, repair and maintenance of poles, lines, conduits, pipes and other equipment necessary to or useful in furnishing electric power, gas, sewer, telephone service, cable services, storm water drainage (including without limitation general flowage easements for storm water drainage) and any other utilities over, under and through all portions of the Property; provided, however, that no such easement shall be applicable to any portion of the Property as may (a) have been used prior to the installation of such utilities for construction of a building whose plans were approved by the Architectural Review Committee as set forth herein, and (b) such portion of the Property as may be designated as the site for a building on a plot plan for erection of a building which has been approved by the Architectural Review Committee as set forth herein. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or take any other similar action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. This reservation shall not create any obligation on the part of the Declarant to provide or maintain any utility or service. No structures, plantings or other materials shall be placed or permitted to remain in such storm water drainage easements which may interfere with such drainage or change the direction of the flow, obstruct or retard the flow of surface water through drainage channels which may be constructed within such easements.

Section 10. Erosion Control. During any period of grading and construction of the Improvements and thereafter, each Owner shall exercise and maintain such erosion control measures, including the

erection of silt fences, as may be required by the Declarant in order to minimize erosion and runoff. Compliance with the applicable erosion control ordinance shall not constitute automatic approval by Declarant, and Declarant reserves the right to impose requirements and standards in excess of those required by law.

Section 11. Setbacks. Except as pertaining to party walls, all portions of the property shall be subject to setbacks, if at all, as may be shown on any recorded subdivision map of the Property and which are shown thereon as specifically pertaining to and affecting the subject property. The Architectural Review Committee is hereby vested with the authority to grant waivers or variances with respect to violations of such setbacks as are imposed hereby; provided, however, with respect to setbacks imposed by municipal authority, nothing herein shall relieve the requirement to comply therewith, such relief being available solely from the municipal authority imposing same.

## ARTICLE X

### ADDITIONAL RESTRICTIONS AFFECTING OPEN SPACE AREAS

Section 1. Open Space. It is the intent of the Declarant to maintain and enhance (or convey subject to these restrictions to the Association) certain portions of the Property which the Declarant designates as "Open Space" or similarly designated areas (hereinafter referred to as "Open Space Areas") on the Development Plan or on plats recorded at the Durham County Registry. The Declarant reserves the right to transfer, sell, convey, give, donate or lease to the Association or to any other third party any parcel of land designated as Open Space; provided, however, that said conveyance shall be subject to the provisions of this instrument and any other easements governing this subdivision.

Section 2. Easement for Owners. An easement over all Open Space Areas is hereby granted to the Owners, their tenants and their guests, invitees and employees which easement shall entitle such Owner, tenants, guests and invitees to enjoy the Open Space Areas subject to the rules and regulations established by the Declarant.

Section 3. Uses. Land designated as "Open Space" may be employed in the construction, maintenance and enjoyment of social, recreational and community buildings or indoor and outdoor recreational establishments.

Section 4. Declarant Rights. The Declarant reserves unto itself, its successors and assigns, and its agents, the right to enter any Open Space Areas for the purpose of constructing, landscaping, maintaining and operating any facilities constructed with the provisions herein contained. The provisions of this paragraph shall not create any obligations on the part of the Declarant to construct, landscape, maintain or operate any such facilities. The Declarant shall further have the right to landscape, grade or implant erosion control measures and to construct siltation basins, storm water impoundments or similar means and shall have the right to take reasonable measures to provide and insure adequate drainage ways in Open Space Areas. The Declarant reserves unto itself, its successors and assigns, and its agent, a perpetual, alienable and releaseable easement to go on, over and under any Open Space Area to erect, maintain and use electric, cablevision and telephone poles, wires, cables (television or otherwise), conduits, drainage ways, sewers, water mains and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water drainage or other conveniences or utilities as well as to construct and maintain a pedestrian trail network and to locate, construct and maintain siltation basins

and storm water impoundments. These reservations and rights expressly include the right to cut any trees, bushes or shrubbery, rights to make any gradings of the soil or take any other similar actions reasonably necessary to exercise the rights reserved herein. Such rights shall not create any obligation on the part of the Declarant to provide or maintain any such utility or service.

Section 5. Trash. No dumping of trash, garbage or any unsightly or offensive material shall be placed upon any Open Space except as is temporary and incidental to the bona fide improvement of the area in a manner consistent herewith.

Section 6. Public. The granting of the easement in Open Space Areas in no way grants to the public or to the owners of any lands outside the Property the right to enter any Open Space

Section 7. Declarant's Easement. The Declarant expressly reserves unto itself, its successors and assigns, and its agent, every reasonable use and enjoyment of the Open Space Areas in a manner not inconsistent herewith.

Section 8. Conveyance to Association. The Declarant reserves unto itself, its successors and assigns, the right to convey Open Space Areas to the Association. Such conveyance shall be made subject to the provisions herein and any other restrictions or limitations which the Declarant, in its sole discretion, shall elect to impose. As an appurtenance to such conveyance, the Association shall have all the powers, immunities and privileges reserved unto the Declarant under this Article as well as all of the Declarant's obligations with respect thereto; provided, however, that so long as the Declarant, its successors and assigns, is the Owner of any portion of the Property, the Declarant and its agent, in addition to and jointly with the Association, shall maintain all rights of easement reserved under this Article and shall, furthermore, retain all rights of entry granted in this Article and the retention of said rights shall in no way create any obligation on the part of the Declarant to perform any affirmative action. Portions of the Property conveyed to the Association pursuant to this provision shall become "Common Area."

## ARTICLE XI

### COMMON AREA

Section 1. Owners' Easements of Enjoyment. Every owner shall have a right and easement of enjoyment in and to and right of ingress and egress over the Common Area which shall be appurtenant to and shall pass with the title to the Property or portion thereof, subject to the following provisions:

(a) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any of the recreational facilities which constitute a portion of the Common Area;

(b) the right of the Association to suspend the voting rights and right to use of any of the recreational facilities which constitute a portion of the Common Area by an Owner for any period during which any assessment against his Property remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations of the provisions hereunder; provided, however, that prior to such a suspension for an infraction of published rules and regulations and/or the provisions hereunder, such Owner shall be given notice and an opportunity to be heard and to present evidence to the Board of Directors;

(c) the right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and its facilities, and in aid thereof to mortgage the Common Area, which lien of such deed of trust shall be subject to the rights and easements of every Owner created herein;

(d) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of each class of Members has been recorded; and,

(e) the right of the Association to formulate, publish, impose and enforce rules and regulations for the use and enjoyment of the Common Area, which regulations may further restrict the use of the Common Area.

Section 2. Delegation of Use. Subject to Section 1 above, any Owner may delegate, in accordance with the Bylaws, his rights of use and enjoyment in and to the Common Area, to the members of his family, his lawful tenants, or contract purchasers who reside on such owner's Lot and, to his guests, invitees and licensees.

## ARTICLE XII

### ADDITIONAL RESTRICTIONS AFFECTING RESIDENTIAL PROPERTIES

Section 1. "Residential Properties". "Residential Properties" as used in this Article shall mean and refer to all those portions of the Property designated as "Single Family Lots" and "Townhouse Lots" herein.

Section 2. Square Footage. Plans required to be submitted to the Architectural Review Committee shall not be approved unless the proposed house or dwelling unit shall contain no less than nine hundred (900) square feet of enclosed heated dwelling space. Declarant may further restrict square footage requirements under the provisions of any Supplemental Declaration.

Notwithstanding the foregoing, the Architectural Review Committee may, in its discretion, from time to time modify the requirements and restrictions set forth herein and in any Supplemental Declaration except not below nine hundred (900) square feet of enclosed heated dwelling space.

The term "enclosed heated dwelling space" does not include garages, terraces, decks, open porches, screened porches and the like area.

#### Section 3. General Restrictions.

(a) All Residential Properties shall be used for residential purposes, recreational purposes incidental thereto and for customary accessory uses. The use of a portion of a dwelling unit on a Residential Property as an office by the Owner or tenant thereof shall be considered a residential use if such use does not create undue customer or client traffic as determined by the Declarant, in its sole and unbridled discretion, to and from the unit on the Property.

(b) No structure, except as hereinafter provided, shall be erected, altered, placed or permitted to

remain on a Single Family Lot other than one ( 1) detached single family dwelling and one (1) small accessory building which may include a detached private garage, provided the use of accessory building does not overcrowd the Single Family Lot, as determined by the Declarant in is sole discretion, and provided, further, that such building is not used for any activity normally conducted as a business. Such accessory building may not be constructed prior to the construction of the main building.

(c) The provisions of this paragraph or any other provision herein shall not prohibit the Declarant or persons authorized by Declarant from using any house, other dwelling units or accessory buildings as models and/or sales offices.

#### Section 4. Completion of Construction.

(a) The exterior of each house, dwelling unit, phase or group of multiple family dwelling units and all other structures must be completed within one (1) year after the construction of same shall have commenced on all Single Family Lots and Townhouse Lots, except where such completion is impossible or would result in great hardship to the owner or builder due to strikes, fire, national emergencies or natural calamities. Houses and other dwelling structures may not be temporarily or permanently occupied until Certificates of Compliance have been issued by the appropriate governmental authority. During the continuance of construction, the Owner of a Lot shall require the contractor to maintain said parcel in a reasonably clean and uncluttered condition.

(b) The failure to complete the exterior of any house, dwelling unit, phase or group of multiple family dwelling units or any other structure within the time limits set forth shall be a violation and breach of these Covenants. The Declarant hereby reserves unto itself, its successors and assigns, and its agent, a perpetual, alienable and releaseable easement and right on, under and over all Residential Properties for the purpose of taking any action necessary to effect compliance with paragraph (a) above, including without limitation, the right to enter upon said properties for purpose of completing the exterior of such house dwelling unit, phase or group of multiple family dwelling units or any other structure which is in violation of said paragraph. Such entry shall not be made until thirty (30) days after the Owner of the property has been notified in writing of the violation. The cost of such corrective action, when performed by the Declarant or its agents, shall be paid by the Owner of the property on which the corrective action is performed. The provisions of this paragraph shall not create any obligation on the part of the Declarant to take any action to effect compliance with this paragraph.

### ARTICLE XIII

#### GENERAL PROVISIONS

Section 1. Enforcement. The Association, Declarant or any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association, Declarant or any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Cost of Corrective Action. Whenever the Declarant on the Association or their agent is permitted by this Declaration to correct, repair, enhance, improve, clear, preserve, remove or take any action on any portion of the Property and whenever it is stated in this Declaration that the cost of such action (the "Cost of Corrective Action") shall be paid by the Owner of the Property or which such

corrective action is performed, the Cost of Corrective Action, together with such interest thereon at the maximum annual rate permitted by law and cost of collection therefore including reasonable attorney fees shall be a charge and continuing lien against all portions of the Property owned by said Owner, its heirs, successors and assigns, which is subject to the provisions of this Declaration and, in addition, shall also be the personal obligation of the Owner at the time when such Cost of Corrective Action became due and payable. The Cost of Corrective Action shall be billed at the completion of such corrective action, and all bills shall be due and payable thirty (30) days from the date of mailing of same.

If the Cost of Corrective Action is not paid withing thirty (30) days after the due date, the Declarant and/or the Association or their agent may bring and action law against such Owner personally and there shall be awarded the amount of such Cost of Corrective Action the costs of preparing the filing of the Complaint in such action and a reasonable attorney's fee, and in the event a judgment is obtained, such judgment shall include interest on the Cost of Corrective Action as above provided and a reasonable attorney's fee together with the costs of the action. The lien of the Cost of Corrective Action produced for herein shall be subordinate to the lien of any first deed of trust now or hereafter placed upon the Property. In the event a creditor (other than Declarant or a creditor of Declarant) acquires title to any portion of the Property pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, said creditor shall be subject to any lien of the Cost of Corrective Action placed upon such Property.

Section 3. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full and effect

Section 4. Amendment. The covenants, conditions and restrictions of this Declaration shall run with and bind the Property, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten ( 10) years. This Declaration may be amended prior to December 31, 2010 by an instrument approved by the Board of Directors of the Association and not less than sixty-seven percent (67%) of the Owners, and thereafter by an instrument approved by not less than sixty-seven percent (67%) of the Owners.

Section 5. Amendment Form. If any amendment to these covenants, conditions and restrictions is so approved, each such amendment approved as set forth above shall be delivered to the Board of Directors of the Association. Thereupon, the Board of Directors shall within thirty (30) days, do the following:

(a) Reasonably assure itself that the amendment has been validly approved by the required number of Owners. (For this purpose, the Board may rely on its roster of Members and shall not be required to cause any title to any examined).

(b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Association in the same manner that deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO COVENANTS CONDITIONS AND RESTRICTIONS OF CARDINAL LAKE

By authority of its Board of Directors, Cardinal Lake Owners Association, Inc., hereby certifies that the foregoing instrument has been duly approved by the owners of \_\_\_ percent of the votes of the Members of Cardinal Lake Owners Association, Inc. and is, therefore, a valid amendment to the existing

covenants, conditions and restrictions of Cardinal Lake.

This the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

CARDINAL LAKE OWNERS ASSOCIATION, INC.

\_\_\_\_\_  
President  
ATTEST:

\_\_\_\_\_  
Secretary

(c) Immediately, and within the thirty (30) day period aforesaid, cause the amendment to be recorded in the **Durham** County Registry.

All amendments shall be effective from the date of their recordation in the **Durham** County Registry, provided, however, that no such instrument shall be valid until it has been indexed in the name of the Association. When any instrument purporting to amend the covenants, conditions, and restrictions has been certified by the Board of Directors, recorded, and indexed as provided by this Section, it shall be conclusively presumed that such instrument constitutes a valid amendment as to all persons thereafter purchasing any portion of the Property.

Section 6. Annexation of Additional Property. At any time during the effective term of this Declaration, Declarant may propose that the Association annex additional properties which have been or will be developed in conformity with the general plan of development for **Cardinal Lake** as follows:

Annexation of additional properties shall require the assent of two-thirds (2/3) of the votes of the voting membership of the Association at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. The presence of Members or of written proxies entitled to cast sixty-six and two-thirds percent (66-2/3%) of the votes of the membership shall constitute a quorum. If the required quorum is not present at any meeting, another meeting may be called subject to the notice requirement set forth above and the required quorum at such subsequent meeting shall be the same. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. In the event that two-thirds (2/3) of the voting membership are not present in person or by proxy, Members not present may give their written assent to the action taken thereat.

Notwithstanding the above, prior to December 31, 2010, the Declarant may, from time to time, annex Additional Properties to the Property without the consent of the Members. The annexation will be accomplished by recording with the appropriate Register of Deeds a Supplementary Declaration of Annexation, duly executed by Declarant, describing the lands annexed and incorporating the provisions of this Declaration. No other action or consent shall be necessary. Upon annexation, the Additional Properties shall be deemed part of the Property and shall be subject to this Declaration.

Subsequent to recordation of the Declaration of Annexation, but prior to the sale of the first Lot in the Additional Property, the landowner shall deliver to the Association one or more deeds conveying any property that will be designated as Common Areas within the Additional Properties.

Section 7. Reserved Declarant and Successor Declarant Rights. Subject to all applicable

governmental ordinances, as long as Class C membership exists, the Declarant reserves the following development rights: (i) to add real estate to the Property in accordance with Section 5 of this Article; (ii) to add Common Areas; (iii) to reallocate Lots within the Property; and (iv) prior to a conveyance of that real estate to an Owner, to withdraw real estate from the Property.

Section 8. Contract Rights of Association. As long as there is a Class C membership, any contract entered into by or on behalf of the Association shall contain a provision giving the Association or the other party thereto the right to terminate such contract upon the giving of not more than thirty (30) days written notice to the other party or parties.

Section 9. Lender's Notice. Upon written request to the Association, identifying the name and address of the holder, insurer or guarantor and the property description address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

(a) Any condemnation or casualty loss that affects either a material portion of the project or the property securing its mortgage.

(b) Any sixty (60) day delinquency in the payment of assessments owed by the Owner of the property on which it holds the mortgage.

(c) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

(d) Any proposed action that requires the consent of a specified percentage of mortgage holders.

(e) The Association's financial statement for the immediately preceding fiscal year.

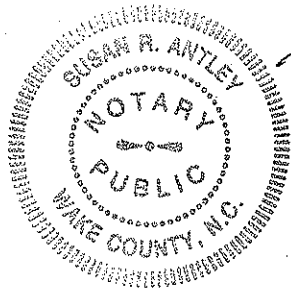
Section 10. HUD/VA/FNMA/ Approval. As long as there is a Class C membership, the following actions will require the prior approval of the Department of Housing and Urban Development ("HUD"), the Veterans Administration ("VA") or the Federal National Mortgage Association ("FNMA"): Annexation of additional properties, dedication of Common Area, deeding in trust the Common Area, mergers and consolidations, recordation of any Supplemental Declaration and amendment of this Declaration. Notwithstanding anything to the contrary contained in this Declaration, Declarant at all times shall have the right to make such changes and amendments to this Declaration as may be required by HUD, VA or FNMA, or the governing municipality in conjunction with the initial approval of this Declaration by such entity; provided, however, such right and reservation shall lapse and expire upon the earlier to occur of the initial approval of this Declaration by any of such entities or the closing of the initial loan underwritten, guaranteed or insured by any of such entities which is secured by the lien of a deed of trust encumbering a portion of the Property.

NOTWITHSTANDING ANY PROVISION TO THE CONTRARY CONTAINED HEREIN, IN NO EVENT SHALL ANY USE OF ANY PORTION OF THE PROPERTY FAIL TO CONFORM TO THE DEVELOPMENT PLAN OR ANY APPLICABLE LAW OR ORDINANCE AND THE DECLARANT SHALL AT ALL TIMES HAVE THE RIGHT TO MAKE SUCH CHANGES AND AMENDMENTS TO THIS DECLARATION AS MAY BE NECESSARY TO CONFORM THIS DECLARATION TO THE REQUIREMENTS OF CHAPTER 47F OF THE NORTH CAROLINA GENERAL STATUTES.

IN WITNESS WHEREOF, the Grantor has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, the day and year first above written

Crossmann Communities of North Carolina, Inc., a North Carolina corporation

By: *Jim Beck*  
Jim Beck  
President of Raleigh Division



NORTH CAROLINA  
Wake COUNTY

I, the undersigned Notary Public, certify that Jim Beck personally came before me this day and acknowledged that he is President, of Raleigh Division, of Crossmann Communities of North Carolina, Inc., a North Carolina corporation, a corporation, and that he/she, as such officer, being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official stamp or seal, this 2 day of December, 2003

My Commission expires:

June 17, 2006

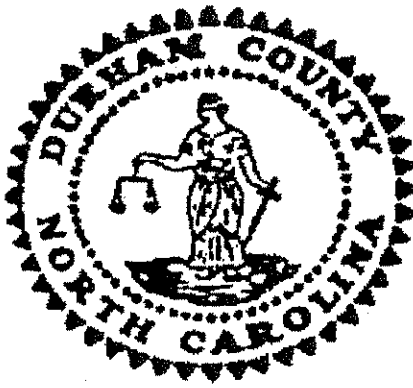
*Susan R. Antley*  
Notary Public

The foregoing Certificate of \_\_\_\_\_ is certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

LAURA RIDDICK, REGISTER OF DEEDS FOR WAKE COUNTY

By: \_\_\_\_\_, Deputy/Assistant - Register of Deeds

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

**PLEASE RETAIN YELLOW TRAILER PAGE**

It is part of recorded document, and must be submitted with original for re-recording  
and/or cancellation.

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Filed For Registration: 12/03/2003 11:46:07 AM  
Book: RE 4205 Page: 826-858  
Document No.: 2003072496  
DECL 33 PGS \$107.00  
Recorder: CAROL JENKINS

\*\*\*\*\*

State of North Carolina, County of Durham

The foregoing certificate of SUSAN R ANTLEY Notary is certified to be correct. This 3 RD of December 2003

WILLIE L. COVINGTON , REGISTER OF DEEDS

By: Carol Jenkins  
Deputy/Assistant Register of Deeds

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2003072496