



Doc ID: 01321370049 Type: CRP
Recorded: 03/21/2013 at 03:51:10 PM
Fee Amt: \$162.00 Page 1 of 49
Alamance, NC
HUGH WEBSTER REGISTER OF DEEDS
BK **3199** PG **852-900**

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
LAURELTON VILLAGE**

**THIS DOCUMENT REGULATES OR PROHIBITS
THE DISPLAY OF POLITICAL SIGNS**

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF THE FLAG OF
THE UNITED STATES OF AMERICA OR STATE OF NORTH CAROLINA**

→ **CHRISTOPHER H. FOUST
KRISTIN M. FOUST
1851 S. MAIN ST.
GRAHAM, NC 27253-4705**

*Prepared by: Jennifer L. Bogacki, Vernon, Vernon, Wooten, Brown, Andrews & Garrett, P.A.
Charles E. Melvin, Jr., Smith Moore Leatherwood LLP
Return to: Vernon, Vernon, Wooten, Brown, Andrews & Garrett, P.A. PO Drawer 2958 Burlington, NC 27215*

49/162

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS..... 2
ARTICLE II	PROPERTY RIGHTS..... 5
Section 1.	RECREATIONAL AMENITIES WHICH MAY BE LOCATED IN THE COMMON ELEMENTS 5
Section 2.	MAINTENANCE OF WATERSHED IMPROVEMENTS..... 5
Section 3.	RULES AND REGULATIONS 5
Section 4.	OWNERS EASEMENTS OF ENJOYMENT OF COMMON ELEMENTS..... 6
Section 5.	TOWNHOME MEMBERS EASEMENTS OF ENJOYMENT..... 7
Section 6.	DELEGATION OF USE 9
Section 7.	LEASES OF LOTS..... 9
ARTICLE III	MEMBERSHIP AND VOTING RIGHTS 10
Section 1.	MEMBERSHIP..... 10
Section 2.	CLASSES OF MEMBERSHIP 10
Section 3.	DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION AND COMPOSITION AFTER PERIOD OF DECLARANT CONTROL..... 11
ARTICLE IV	COVENANT FOR MAINTENANCE AND ASSESSMENTS..... 11
Section 1.	CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS..... 11
Section 2.	PURPOSE OF ASSESSMENTS 12
Section 3.	ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS; MAXIMUM ANNUAL ASSESSMENT..... 13
Section 4.	SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS 14
Section 5.	NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4..... 14
Section 6.	RATE OF ANNUAL ASSESSMENT..... 15
Section 7.	DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES..... 15
Section 8.	WORKING CAPITAL ASSESSMENTS 15
Section 9.	EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION 15
Section 10.	EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION 16
Section 11.	SUBORDINATION OF THE LIEN FOR ASSESSMENTS TO THE LIEN OF FIRST MORTGAGES..... 16
Section 12.	EXEMPT PROPERTY 16

TABLE OF CONTENTS
(continued)

	Page
ARTICLE V ARCHITECTURAL CONTROL	17
Section 1. IMPROVEMENTS	17
Section 2. PROCEDURES	18
ARTICLE VI EXTERIOR MAINTENANCE	19
Section 1. MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION	19
Section 2. EXTERIOR MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION FOR TOWNHOME LOTS	19
Section 3. EXTERIOR MAINTENANCE TO BE PERFORMED BY TOWNHOME MEMBERS	20
Section 4. MAINTENANCE TO BE PERFORMED BY SINGLE FAMILY MEMBERS	20
ARTICLE VII RESTRICTIONS	21
Section 1. LAND USE	21
Section 2. NUISANCE	21
Section 3. MOTOR VEHICLES	22
Section 4. ANIMALS	22
Section 5. OUTSIDE ANTENNAS	22
Section 6. SUBDIVISION OF LOTS	23
Section 7. SIGNS	23
Section 8. MOBILE HOMES, MANUFACTURED HOMES, ETC	23
Section 9. FENCES OR WALLS	23
Section 10. SWIMMING POOLS	24
Section 11. BASKETBALL GOALS	24
ARTICLE VIII EASEMENTS	24
Section 1. UTILITIES	24
Section 2. SIGNS	24
Section 3. EASEMENT RESERVED BY DECLARANT	24
Section 4. ENCROACHMENTS	25
ARTICLE IX PARTY WALLS	25
Section 1. GENERAL RULES OF LAW TO APPLY	25
Section 2. REPAIR AND MAINTENANCE	25
Section 3. DESTRUCTION BY FIRE OR OTHER CASUALTY	25
Section 4. WEATHERPROOFING	25
Section 5. RIGHT TO CONTRIBUTION RUNS WITH LAND	26
Section 6. ARBITRATION	26

TABLE OF CONTENTS
(continued)

	Page
ARTICLE X RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS	26
Section 1. ENTITIES CONSTITUTING INSTITUTIONAL LENDERS	26
Section 2. OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS.....	26
Section 3. REQUIREMENTS OF INSTITUTIONAL LENDER	27
ARTICLE XI COST SHARING WITH OTHER PROPERTIES	27
ARTICLE XII GENERAL PROVISIONS	27
Section 1. ENFORCEMENT	27
Section 2. SEVERABILITY	29
Section 3. AMENDMENT.....	29
Section 4. ANNEXATION	30
Section 5. AMPLIFICATION	30

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
LAURELTON VILLAGE**

THIS DECLARATION is made on the date hereinafter set forth by LAURELTON VILLAGE, LLC, a North Carolina limited liability company, having an office in Alamance County, North Carolina, hereinafter referred to as "Declarant."

WITNESSETH:

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

ALL of the land shown on the plat entitled "Final Plat, Phase 1, Section 1, Laurelton Village" by Borum, Wade and Associates, P.A. dated March 4, 2013 and recorded in Plat Book 75, Page 380, in the Office of the Register of Deeds of Alamance County, North Carolina.

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

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

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

Document #384295 v.1

ARTICLE I

DEFINITIONS

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

Section 2. "Appropriate Local Governmental Authority" shall mean and refer to Alamance County, The Town of Swepsonville, or other appropriate local governmental authority having jurisdiction over the Properties.

Section 3. "Association" shall mean and refer to Laurelton Village Homeowners Association, Inc., its successors and assigns.

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

All of the land designated "Common Elements" as shown on the plat entitled "Final Plat, Phase 1, Section 1, Laurelton Village" by Borum, Wade and Associates, P.A. dated March 4, 2013 and recorded in Plat Book 75, Page 380 in the Office of the Register of Deeds, Alamance County, North Carolina.

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed to the Association from time to time and without the consent of the Association or its Members, additional property to the Association, which property may include any portion of the Properties, including any Additional Property annexed by Declarant pursuant to Article XII, Section 4 hereof. The Association shall accept any such conveyance of property and thereafter such property shall be held and maintained by the Association as Common Elements. Provided, however, that any portion of the Townhome Common Elements upon which is located a driveway, walk, porch, stoop, privacy fence and the area within the privacy fence servicing only one Townhome Lot shall be deemed to be "Townhome Limited Common Elements" for the use and benefit of the Townhome Lot served thereby and the same shall be maintained, repaired and replaced by the Owner of the Townhome Lot served thereby. Declarant may construct or cause to be constructed (**BUT SHALL NOT BE OBLIGATED TO CONSTRUCT**) walkways, and recreational facilities on any such Common Elements. Other improvements, which may include, but shall not be limited to roadways, retention or detention ponds or erosion control devices, may be located on any such Common Elements. Declarant does not contemplate the construction of any other recreational improvements or amenities within the Common Elements. Except as otherwise provided in Section 47F-3-113 of the Planned Community Act, the Association shall be required to promptly repair and replace any portion of the Common Elements for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association

which is damaged or destroyed. All Common Elements shall be conveyed to the Association in their "as is" condition without any express or implied warranty. DECLARANT HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE COMMON ELEMENTS.

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

Section 5. "Declarant" shall mean and refer to Laurelton Village, LLC, its successors and assigns, pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successors or assign, all of which rights, including Declarant's voting, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

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

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

Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

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

Section 9. "Member" shall mean and refer to every person or entity who holds Membership with voting rights in the Association. "Single Family Member" shall mean and refer to a Member who or which is a record owner of a fee interest in a Single Family Lot. "Townhome Member" shall mean and refer to a Member who or which is a record owner of a fee interest in any Townhome Lot.

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

Section 11. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina, and continuing until the earlier of: (i) fifteen (15) years from the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina; or (ii) such time as seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant; provided, however, if after the expiration of such period of time, the Master Plan is amended to add additional lots and fewer than seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant, such period of time shall be reinstated and shall continue until the earlier of: (i) fifteen (15) years from the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina; or (ii) such time as seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant."

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

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

Section 14. "Townhome Common Elements" shall mean and refer to that portion of the Common Elements intended for use solely by Owners of Townhome Lots including, without

limitation, such portions of the Properties as may be identified as "Townhome Common Elements" on recorded plats of the Properties or otherwise identified by Declarant.

Section 15. "Townhome Limited Common Elements" shall mean and refer to those Common Elements benefitting less than all of the Owners of Townhomes, and shall include, but not be limited to, porches, stoops, driveways, walks, privacy fences and the area within a privacy fence.

ARTICLE II

PROPERTY RIGHTS

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

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

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

Section 2. MAINTENANCE OF WATERSHED IMPROVEMENTS. It is not anticipated that there will be any watershed improvements located on the Properties which shall be the responsibility of the Association, however, the Declarant reserves the right to convey to the Association any such watershed improvements, that may be placed on the Properties and may be owned and maintained by the Association as Common Elements and that are required to be maintained by the governmental office(s) having jurisdiction for watershed protection as directed by such governmental office(s). In the event the Association is dissolved or otherwise defaults on its obligation to maintain any such watershed improvements, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, 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 a pro rata share of the cost of the maintenance of such watershed improvements.

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

Section 4. OWNERS EASEMENTS OF ENJOYMENT OF COMMON ELEMENTS. In the event the Association acquires any Common Elements, every Owner shall have a right and easement of enjoyment in and to said Common Elements (other than Townhome Common Elements as to which only Townhome Members shall have a right and easement of enjoyment as hereinafter provided) which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

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

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

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

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

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

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

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

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

Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

Section 5. TOWNHOME MEMBERS EASEMENTS OF ENJOYMENT. Every Townhome Member shall have a right and easement of enjoyment in and to the Townhome Common Elements which shall be appurtenant to and shall pass with the title to every Townhome Lot, subject to the following provisions:

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

(b) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Townhome Common Elements, none of which are intended by Declarant to be constructed;

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

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

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

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Townhome Common Elements and improvements thereon, which regulations may further restrict the use of the Townhome Common Elements, and specifically including the right to make permanent and temporary assignments of parking spaces and to establish rules and

regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Townhome Lot to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

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

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

Section 6. DELEGATION OF USE. Any Owner may delegate, in accordance with the Bylaws, Owner's rights of enjoyment of the Common Elements and facilities to the members of Owner's family, Owner's tenants or contract purchasers who reside on the Lot of such Owner.

Section 7. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and Bylaws of the Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall have a term of not less than six (6) months. Other than the foregoing there is no restriction on the right of any Owner to lease Owner's Lot.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

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

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

Class B: Declarant shall be the Class B Member and Declarant shall be entitled to three (3) votes for each lot shown on the Master Plan as developed or to be developed as a part of Laurelton Village which has not been conveyed by Declarant or any affiliated entity to a Class A Member. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

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

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

Section 3. DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION AND COMPOSITION AFTER PERIOD OF DECLARANT CONTROL. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the Members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Executive Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant need not be a resident of the Properties. Following the expiration of the Period of Declarant Control, Single Family Members shall be entitled to elect a majority of the Executive Board members and Townhome Members will be entitled to elect the remaining Executive Board members. For illustrative purposes, if the Executive Board consists of five (5) members, the Single Family Members will be entitled to elect three (3) members of the Executive Board and the Townhome Members will be entitled to elect two (2) members of the Executive Board. For purposes of electing Executive Board members, Single Family Members and Townhome Members shall vote as separate classes of Members.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

Section 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual and other assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Elements; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months. The Declarant shall not be obligated to pay any annual or special assessments for any Lot owned by Declarant within the Properties. All assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Alamance County, North Carolina. Each such assessment and charge, together with interest, any late fees, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal

obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. PURPOSE OF ASSESSMENTS.

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

(b) The Association may establish and maintain two adequate reserve funds for the periodic maintenance, repair and replacement of improvements to the Common Elements and those other portions of the Properties which the Association may be obligated to maintain. Such reserve funds are to be established out of regular assessments for common expense. One fund shall be from Townhome Member dues and one fund from Single Family Member dues, however, contributions from both funds may be used to maintain, repair or replace mutually beneficial improvements and common expenses, as set forth in Article IV, Section 8 herein.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the Bylaws of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and Common surplus, including other assets of the Association, and any

increments thereto or profits derived therefrom shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his Membership interest therein, except as an appurtenance to his Lot. When any Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Properties.

Section 3. ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS: MAXIMUM ANNUAL ASSESSMENT.

(a) At least thirty (30) days in advance of each annual assessment period, the Executive Board shall establish annual budgets and set the amount of the annual assessments in advance for the following year. Separate budgets shall be prepared for (i) expenses incurred for the benefit of all Lot Owners (the "Common Expenses"; the budget for the Common Expenses hereinafter referred to as the "Common Expense Budget"), and (ii) expenses incurred exclusively for the benefit of the Townhome Lots (including the expense arising from maintenance of the Townhome Common Elements and maintenance of the exterior of the residences on Townhome Lots as required by Article VI, Sections 1 and 2) (the "Townhome Common Expenses") and those expenses incurred exclusively for the benefit of the Single Family Lots (the "Single Family Common Expenses"), if any. Common Expenses shall be shared equally by all Lot Owners, the Townhome Common Expenses shall be shared equally by the Townhome Members, and the Single Family Common Expenses shall be shared equally by the Single Family Members. Within thirty (30) days of the adoption of any proposed budget, the Executive Board shall provide to all of the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners of a majority of the Lots reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

(b) Until December 31 of the year of the conveyance of the first Townhome Lot to an Owner, the maximum annual assessment shall be **Fifteen Hundred and No/100 Dollars (\$1500.00)** per Townhome Lot, and may be collected in monthly installments of **One Hundred Twenty Five and No/100 Dollars (\$125.00)** per Townhome Lot (the "Townhome Assessment"). The maximum annual Townhome Assessment for the calendar year immediately following the year in which conveyance of the first Townhome Lot to an Owner is made and for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board without approval by the Membership by an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year. The maximum annual Townhome Assessment for the calendar year immediately following the year in which

conveyance of the first Townhome Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Townhome Members entitled to cast at least two-thirds (2/3) of the votes of such Townhome Members who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

(c) Until December 31 of the year of the conveyance of the first Single Family Lot to an Owner, the maximum annual assessment shall be **Three Hundred and No/100 Dollars (\$300.00)** per Single Family Lot, and may be collected in monthly installments of **Twenty Five and No/100 Dollars (\$25.00)** per Single Family Lot (the "Single Family Assessment"). The maximum annual Single Family Assessment for the calendar year immediately following the year in which conveyance of the first Single Family Lot to an Owner is made and for each calendar year thereafter shall be established by the Executive Board and may be increased by the Executive Board without approval by the Membership by an amount not to exceed ten percent (10%) of the maximum annual Single Family Assessment of the previous year. The maximum annual Single Family Assessment for the calendar year immediately following the year in which conveyance of the first Single Family Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Single Family Members entitled to cast at least two-thirds (2/3) of the votes of such Single Family Members who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

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

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

Section 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 of this Article shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast twenty percent (20%) of all the votes of the Class A and Class B Members shall constitute a quorum, except that in the case of any meeting called for the purpose of considering a Townhome Special Assessment, notice thereof shall be sent only to the Townhome Members and the presence of Members or proxies entitled to cast twenty percent (20%) of all the votes allocated to the Townhome Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (½) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Townhome Lots and for all Single Family Lots and may be collected on a monthly, quarterly or annual basis. The rates for Townhome Lots may differ from the rates for the Single Family Lots.

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

Section 8. WORKING CAPITAL ASSESSMENTS. In addition to the annual assessments authorized above, at the time of the closing of the first sale of each Lot to a purchaser other than a Declarant, the purchaser(s) thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) of the then current annual assessment for such Lot established by the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to help insure that the Association will have sufficient monies available to meet its initial operational needs, unforeseen expenditures or long-term capital improvements and repairs to the Common Elements. There shall be two Working Capital Funds, one for the Townhome Lots and one for the Single Family Lots. Should any capital improvements benefit both the Townhome Lots and the Single Family Lots, then the monies shall be used from each Fund according to the benefit received. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these Bylaws.

Section 9. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate from time-to-time established by the Association not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable

late fee, the amount of which shall be established from time to time by the Executive Board of the Association, for assessments not paid within thirty (30) days after the due date and after notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association (except rights of access to Lots during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosure of a mortgage or deed of trust on real estate under power of sale, and interest, any late fees, costs and reasonable attorneys' fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Elements or abandonment of his Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

Section 10. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Elements or assessments for public improvements to the Common Elements, which default shall continue for a period of six (6) months, each Owner of a Lot in the development shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots in the development, provided that only Townhome Members shall be personally obligated to pay ad valorem taxes levied against the Townhome Common Elements and assessments for public improvements to the Townhome Common Elements. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

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

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

ARTICLE V

ARCHITECTURAL CONTROL

Section 1. IMPROVEMENTS. No improvements, alteration, repair, change in paint color, excavation, change in grade, planting, landscaping, modification of driveways, exterior decoration (including, without limitation, yard ornaments, figurines, statues, bird baths, houses and feeders, flags and similar items) or other work which in any way alters the exterior of any Lot or the improvements located thereon from their natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant, shall be commenced, erected or maintained upon any Lot and no building, fence wall, residence or other structure shall be commenced, erected, maintained, improved, altered or removed (all or any of the foregoing hereinafter referred to as a "Modification"), until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Executive Board of the Association or by the appropriate architectural committee. Proposed Modifications to Townhome Lots shall be reviewed by an architectural control committee composed of three (3) or more representatives appointed by a majority vote of those certain members of the Executive Board elected by the Townhome Members. Proposed Modifications to Single Family Lots shall be reviewed by an architectural control committee composed of three (3) or more representatives appointed by a majority vote of those certain members of the Executive Board elected by the Single Family Members. Notwithstanding the foregoing, landscaping improvements consisting of plant materials native to the area and commonly used in residential landscaping which do not interfere with the sight lines of motorists at intersections of the streets and/or driveways located within the Properties shall not require approval by the Executive Board of the Association or the Architectural Control Committee. In addition, temporary seasonal exterior decorations shall not require the prior approval of the Executive Board or the Architectural Control Committee, but if any such decorations are determined, in the sole discretion of the appropriate Architectural Control Committee, to be distasteful or otherwise disruptive of the aesthetics or visual harmony of the community, the appropriate Architectural Control Committee may require that such decorations promptly and permanently be removed. In the event that an Owner neglects or fails to remove any such decorations at the request of the Architectural Control Committee, the Association may provide such removal. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times for such purpose and the cost of such removal shall be added to and become a part of the assessment to which such Lot is subject. Notwithstanding the foregoing, nothing herein contained shall prevent or interfere with the right of Declarant or any affiliate of Declarant to improve and develop the Properties, including the Lots, as Declarant or such affiliate chooses, so long as said development follows

the general plan of development of the Properties from time to time approved by the Appropriate Local Governmental Authority. Accordingly, nothing herein shall require that either Declarant or any affiliate of Declarant seek or obtain the approval of the Architectural Control Committee for improvements erected on the Properties by or at the direction of Declarant or any such affiliate. In addition, for so long as Declarant or any affiliated entity owns any Lot or has the right to annex any Additional Property pursuant to Section 4(b), Article XII hereof, Declarant or its affiliate may approve any plans and specifications rejected by any Architectural Control Committee for the construction or alteration of improvements on any Lot provided the construction or alteration approved by Declarant or its affiliate comport with the general scheme of development from time to time approved by the Appropriate Local Governmental Authority. Such approval by Declarant or its affiliate shall operate and have the same effect as approval by the Executive Board or the Architectural Control Committee.

Section 2. PROCEDURES.

(a) Any person desiring to make any improvement, alteration or change described in Section 1 above shall submit the plans and specifications therefore, showing the nature, kind, shape, height, materials and location of the same, to the appropriate Architectural Control Committee which shall evaluate such plans and specification in light of the purposes of this Article. The Architectural Control Committee shall have a period of thirty (30) days from receipt of a request for approval of plans and specifications within which to approve or disapprove them. In the event of disapproval, reasons shall be provided in writing for such disapproval. Such decision is appealable to the full Executive Board upon submission of the appeal within ten (10) days of the homeowner's receipt of the notice of disapproval in writing from the Architectural Control Committee. The decision of the Executive Board shall be final.

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

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

ARTICLE VI

EXTERIOR MAINTENANCE

Section 1. MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION. The Association shall maintain the Common Elements, including, without limitation, the Townhome Common Elements, with the exception of any privacy fences and the area within the privacy fences located within the Townhome Common Elements which are provided to serve an individual Townhome Lot. Any such privacy fences and the area within the privacy fences shall be Townhome Limited Common Elements and shall be maintained by the owner of the Townhome Lot served thereby. The Association shall maintain open spaces and streets within or outside of the Common Elements which have not been accepted for dedication by a public authority, roadway medians, roundabouts and islands (including medians, roundabouts and islands located in dedicated rights-of-way within the Properties), walks located within any Common Elements and provided for use by all Members, and street lights erected by the Association or Declarant in the rights-of-way of streets (whether public or private) or in any other easement provided for such purpose within the Properties. Without limiting the foregoing, the Association shall maintain any retention or detention ponds, rip rap and other drainage or erosion control devices located on the Common Elements now or hereafter conveyed to the Association by Declarant that are required to be maintained by the governmental office(s) having jurisdiction for watershed protection as directed by such governmental office(s). In the event the Association is dissolved or otherwise defaults on its obligation to maintain any such drainage or erosion control device, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, 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 a pro rata share of the cost of the maintenance of such pond or erosion control device.

Section 2. EXTERIOR MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION FOR TOWNHOME LOTS. The Association shall provide exterior maintenance for the dwelling located on each Townhome Lot which is subject to assessments hereunder, as follows: paint, repair, replace and care of roofs, gutters, downspouts, exterior building surfaces, excluding doors, garage doors, garage door openers, glass surfaces, window or door screens, and any storm doors installed by such Townhome Member. Such exterior

maintenance shall not include the exterior maintenance to be performed by the Townhome Member as provided in Section 3 below. The cost of the foregoing work shall be included in the Townhome Common Expenses. In the event that the need for any maintenance, repair or replacement required hereunder to be performed by the Association is caused through the willful or negligent act of the Townhome Member, such Member's family, guests or invitees, or is caused by fire, lightning, windstorm, hail, explosion, riot, riot attending strike, civil commotion, aircraft, vehicles or smoke, as the foregoing are defined and explained in North Carolina Standard Fire and Extended Coverage insurance policies, the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Townhome Lot is subject.

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

Section 4. MAINTENANCE TO BE PERFORMED BY SINGLE FAMILY MEMBERS. Each Single Family Member shall be responsible for the exterior maintenance of such Member's dwelling, including, without limitation, the following: painting, replacement and care of roofs, gutters, downspouts, and exterior building surfaces, and each Single Family Member shall be responsible for maintenance of lawn, trees, shrubs, landscaping, driveways, steps, walks and other exterior improvements on and within such Single Family Member's Lot. Each Single Family Member also shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all utility lines, fixtures and/or such Member's connections required to provide water, light, power, telephone, sewage and sanitary service to such Single Family Member's Lot which are within such Member's Lot and not publicly maintained.

In the event that a Single Family Member neglects or fails to maintain such Member's Lot as provided herein and/or the exterior of such Member's dwelling in a manner consistent

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

ARTICLE VII

RESTRICTIONS

Section 1. LAND USE. No Single Family Lot shall be used except for single-family residential purposes, except as expressly provided for herein, and no Townhome Lot shall be used except for townhome residential purposes; provided, however, Declarant, or any affiliated entity may use any Lot owned or leased by Declarant or any affiliated entity as a temporary sales office and/or model for the purposes of carrying on business related to the development, improvement and sale of the Properties or the Additional Property. No building shall be erected, placed or permitted to remain on any Single Family Lot other than one detached single-family dwelling not to exceed 2½ stories in height, an optional attached private garage for not more than three (3) cars and one (1) permanent accessory building incidental to the residential use of the Single Family Lot. By way of illustration and not of limitation, any such accessory building must be approved by the Architectural Control Committee and be either erected on a permanent foundation or include "skirting" of some type around the foundation such that no blocks or supporting foundation are visible. Such "skirting" must also be approved. Any such accessory building can be either constructed on the Lot or pre-fabricated, so long as it is not made of metal. The exterior and roof of any such accessory building must be similar to the exterior and roof of the residence. Playgrounds and play sets shall be allowed on any Lot upon approval by the Architectural Control Committee.

Section 2. NUISANCE. No noxious or offensive activity shall be conducted upon any Lot or the Common Elements nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. In the event that any Lot Owner or any other person conducts obnoxious or offensive activity upon any Lot or does anything thereon which may be or may become an annoyance or nuisance to the neighborhood, a written complaint can be filed by a Lot Owner with the Association. If, after investigation, the complaint is deemed legitimate by the Association, the Association will make a written request to the owner of the Lot upon which the activity is being conducted that the obnoxious or

offensive activity be stopped immediately. If the activity continues for two days after this written notice is issued by the Association, any complaining Lot Owner can pursue judicial relief against the offending Lot Owner or the offending person. All Lot Owners expressly waive any claims against Declarant related to any obnoxious or offensive activity conducted upon any Lot or relating to anything done upon any Lot which may be or may become an annoyance or nuisance to the neighborhood, except to the extent that the alleged obnoxious or offensive activity is conducted by the Declarant or the Declarant's agent. No Lot or other area within Properties shall be used as a dumping ground for rubbish or as a site for the accumulation of unsightly materials of any kind, including, without limitation, broken or rusty equipment and discarded appliances and furniture. No outdoor clotheslines shall be permitted.

Section 3. MOTOR VEHICLES. No boat, marine craft, hovercraft, aircraft, trailer, camper, or motorized van used for commercial purposes (as distinguished from a van used as a passenger car) shall be parked within the right of way of any public or private street adjacent to any Lot or on any Lot, except that any of the above may be parked completely inside a garage. However, Owner's guests may park on public streets only for brief periods of time on an irregular and infrequent basis, provided that such parking does not violate any municipal ordinance. No truck or motorized van used for commercial purposes shall be allowed unless it is used for the Owner's primary occupation. In no event are tractor trailers (or tractors without the trailer attached) to be parked within the Properties. This restriction shall not apply to any vehicle, machinery or equipment temporarily parked and in use for the construction, maintenance or repair of a residence in the immediate vicinity of the parking area. No vehicles or similar equipment shall be parked or stored in an area visible from any street except passenger automobiles, passenger vans, motorcycles, and pick-up trucks that are in operable condition and have current license plates and inspection stickers. No inoperative motor vehicle may be parked or stored on any Lot or any public or private street or other area within the Properties for a period in excess of forty-eight (48) hours. No motor vehicle of any sort may be parked in yards or on sidewalks.

Section 4. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on the Common Elements or on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, the County of Alamance relating thereto; and (ii) such rules and regulations pertaining thereto as the Executive Board may adopt from time to time.

Section 5. OUTSIDE ANTENNAS. Except for "dish" antennas designed to receive direct broadcast satellite service, including direct-to-home satellite service, one meter (39") or less in diameter, antennas designed to receive video programming services via MMDS (wireless cable) and antennas designed to receive television broadcast signals, no outside antennas or satellite dishes and no free standing transmission or receiving towers shall be erected on any Lot within the Properties without the prior written permission of the Architectural Control Committee. Only one (1) such antenna shall be permitted on any Lot. Except as otherwise reasonably required in order to receive the intended signal, any antenna or satellite dish erected on any Lot within the Properties shall be affixed to the dwelling, shall be a color which blends

with its surrounds, and shall have a mast only as high as reasonably necessary to receive the intended signal..

Section 6. SUBDIVISION OF LOTS. No Lot shall be subdivided into a lot smaller than or different from the Lot shown on the recorded plat and no street shall be laid out across or through any Lot, except by the Declarant or with the written consent of Declarant.

Section 7. SIGNS. No sign shall be placed or allowed to remain on any Lot except for ONE (1) "For Sale" sign, or one other temporary sign to advertise a yard sale or other temporary activity on the Lot and such other temporary sign shall not be permitted to remain on any Lot for more than two (2) consecutive weeks.. No sign deemed by the Association, the Architectural Committee or Declarant to be a nuisance or a detriment to the Properties or the Additional Property shall be permitted to be erected or to remain on any Lot. Notwithstanding the foregoing, during Declarant's Development Period, Declarant and any affiliate shall have the right to erect and maintain signs within the Common Elements or on any Lot owned or leased by Declarant or such affiliate for the purpose of advertising and promoting the sale of such lots.

Section 8. MOBILE HOMES. MANUFACTURED HOMES. ETC. No mobile home, manufactured home, modular home, trailer, or other like structure shall be located or installed on any Lot. As used in this Section, mobile home, manufactured home or modular home shall mean a structure, assembled in whole or in part in a location other than on the Lot itself, transportable in one or more sections, any section of which, during transport, is four (4) feet or more in width and ten (10) feet or more in length, which may or may not be built on a permanent chassis and which is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. Notwithstanding the foregoing, Declarant, builders or contractors may maintain temporary improvements (such as a sales office and/or construction trailer) on any Lot during the construction and development period.

Section 9. FENCES OR WALLS. No fence, wall or other enclosure shall be constructed on any Lot without first obtaining the approval of the Architectural Control Committee as provided in Article V of this Declaration. No fence on any Single Family Lot shall be permitted to extend nearer to any front street than the front building line of the residence located on that Lot or nearer to any side street than the side building line of the residence located on that Lot. No portion of any fence erected on any Single Family Lot may exceed six (6) feet in height. Chain link perimeter fencing is strictly prohibited. Dog runs may be constructed provided that they are approved by the Executive Board or the appropriate Architectural Control Committee and be of wood, vinyl or black vinyl-coated chain link and do not exceed a maximum size of 10' X 20'. No additional fence, wall or other enclosure shall be constructed on a Townhome Lot other than the fencing initially constructed by the Builder which is a part of the Townhome Limited Common Elements. Dog runs shall not be permitted within the privacy fence of the Townhome Lots. Notwithstanding the foregoing, Declarant, its successors and assigns, and the Association shall have the right to erect chain link fences and any other type of fences and enclosures within the Common Elements without the approval of the Architectural Control Committee, such fences and other enclosures to become a part of the Common Elements to be maintained by the Association.

Section 10. SWIMMING POOLS. No swimming pool shall be constructed on any Lot without obtaining the approval of the Architectural Control Committee as provided in Article V of the Declaration. Above-ground swimming pools shall not be permitted. This section shall not apply to temporary inflatable and/or plastic children's pools the diameter of which shall not exceed five feet (5').

Section 11. BASKETBALL GOALS. Detached basketball goals and concrete pads for basketball goals shall be allowed on any Lot upon approval by the Architectural Control Committee. Detached basketball goals shall not be permitted in the streets.

ARTICLE VIII

EASEMENTS

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

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

Section 3. EASEMENT RESERVED BY DECLARANT. Declarant hereby reserves such easements on, across and over the Common Elements as shall be reasonably necessary for (i) the exercise by Declarant or any affiliated entity of any right herein reserved, including, without limitation, Declarant's right, should Declarant elect, to annex the Additional Property, as hereinafter defined and (ii) the development by Declarant or any affiliate, their respective successors and assigns, of the Additional Property, should Declarant elect not to annex the Additional Property, including without limitation easements for ingress, egress and regress over private roads and streets now or hereafter erected on the Properties and easements for the use of all utility lines, fixtures and/or their connections located within the Common Elements for the purpose of providing water, light, power, telephone, sewage and sanitary service to the Additional Property.

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

ARTICLE IX

PARTY WALLS

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

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

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

Section 4. WEATHERPROOFING. Notwithstanding any other provision of this Article, a Townhome Member who by his negligent or willful act causes the party wall to be

exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements and repairing any damage resulting from such exposure.

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

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

ARTICLE X

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

Section 1. ENTITIES CONSTITUTING INSTITUTIONAL LENDERS. "Institutional Lender" as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies or other firms or entities customarily affording loans secured by first liens on residences, and eligible insurers and governmental guarantors.

Section 2. OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS. So long as any Institutional Lender shall hold any first lien upon any Lot and shall have given notice to the Association as set forth in Section 3 of this Article, or shall be the Owner of any Lot, such Institutional Lender shall have the following rights:

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

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

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

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

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

(f) To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owning a Lot encumbered by a mortgage held by the Institutional Lender, such notice to be given in writing and to be sent to the principal office of such Institutional Lender, or to the place which it may designate in writing.

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

ARTICLE XI

COST SHARING WITH OTHER PROPERTIES

The Association may enter into contractual agreements, easements and covenants to share costs with the owner of any neighboring property to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Element maintenance.

ARTICLE XII

GENERAL PROVISIONS

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

(a) The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, the Bylaws of the Association and all rules and regulations of the Association adopted pursuant thereto. Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the Bylaws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. The Association shall have the right to request

that law enforcement, public safety and animal control officers come on the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

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

(c) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to suspend privileges or services provided by the Association (except rights of access to Lots) for reasonable periods for violations of this Declaration or the Bylaws, Articles or rules and regulations of the Association. If it is decided that a suspension of privileges or services provided by the Association should be imposed, the suspension may be continued without further hearing until the violation is cured.

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

otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any lien of the Association against the Lot at issue.

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

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

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

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

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

Section 3. AMENDMENT. The covenants and restrictions of this Declaration shall run and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated as hereinafter provided. This Declaration may be terminated or amended with the consent of the Members entitled to cast at least sixty seven percent (67%) of the votes of the Association; provided, however, during Declarant's Development Period, this Declaration may not be amended or terminated without Declarant's consent; no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant; and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection. Any amendment, except amendments that Declarant is authorized to make unilaterally, must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the amendment on behalf of the Association that the requisite Member and Declarant approval has been obtained and is evidenced by written acknowledgment(s) signed by the Members approving the amendment and, if required, Declarant, and that such acknowledgments have been made a part of the Minute Book of the Association, but such attestation will not be necessary if the requisite number of Members and, if required, Declarant, have executed said amendment; and (3) be properly

recorded in the Office of the Register of Deeds, Alamance County, North Carolina. For the purpose of this section, additions to existing property by Declarant pursuant to Section 4 of this Article shall not constitute an "amendment." In the event this Declaration is terminated in accordance with the provisions hereinabove provided, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of all permanent retention or detention ponds. Notwithstanding the foregoing, Declarant may at anytime unilaterally amend this Declaration to terminate or restrict any right reserved hereunder by Declarant and Declarant, during Declarant's Development Period, may unilaterally amend this Declaration to make any changes required by the VA, the FHA, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any other private or governmental insurer of residential mortgage loans in order to obtain the approvals necessary for purchasers of Lots to obtain financing insured by any of the foregoing mortgage insurers, or to make any changes deemed by Declarant to be necessary to carry out and effectuate the orderly development of the Properties as intended by Declarant.

Section 4. ANNEXATION.

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

(b) All or any portion of the Additional Property may be annexed by the Declarant without the consent of Members within fifteen (15) years of the date of this instrument. Declarant shall have no obligation of any kind to annex any or all of the Additional Property and, should Declarant elect to annex all or any portion of the Additional Property, Declarant shall have no obligation of any kind to annex the Additional Property in any particular sequential order. Should Declarant elect to annex all or any portion of the Additional Property and accordingly to subject such property to the terms and conditions of this Declaration, with regard to all or any part of the Additional Property annexed by Declarant, to make such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Declarant, to reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such additions and/or modifications shall have no effect upon the properties previously subjected to this Declaration. With regard to any portion of the Additional Property not annexed by Declarant, Declarant makes no representations with regard to the use of such property or the exterior appearance, design, size or intended purpose of any improvements now or hereafter erected on such property.

Section 5. AMPLIFICATION. The Provisions of this Declaration are amplified by the Articles of Incorporation and Bylaws of the Association; but no such amplification shall alter or amend any of the rights or obligations of the Owners set forth in this Declaration. Declarant intends that the provisions of this Declaration on the one hand, and the Articles of Incorporation

and Bylaws of the Association on the other be interpreted, construed, and applied to avoid inconsistencies or conflicting results. If such conflict necessarily results, however, Declarant intends that the provisions of this Declaration control anything contained in the Articles of Incorporation or Bylaws of the Association.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed as of the 15 day of March, 2013.

LAURELTON VILLAGE, LLC

By: [Signature] (Seal)

Name: Chris Foust

Title: Member-Manager

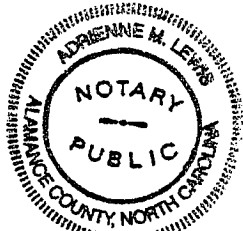
State of North Carolina
County of Alamance

I certify that the following person personally appeared before me this day acknowledging to me that he or she signed the foregoing document: Chris Foust
[Name of person signing]

Today's Date: March 15, 2013

[Signature]
[Notary's signature as name appears on seal]

Adrienne M. Lewis
[Notary's printed name as name appears on seal]



My commission expires: 6-15, 2013

[Affix Notary Seal in Space Above]

SCHEDULE "A"

[Legal Description]

BEGINNING at an EIP located in the southwestern margin of the right of way of N.C. Highway 54, said EIP also being located in the northeastern corner of property now or formerly owned by Homer L. Pike as recorded in Deed Book 1991, Page 894, Alamance County Registry; thence along the northern line of Pike South 53°44'13" West 828.09 feet to an EIP located in the northeastern corner of property now or formerly owned by Roland Lee Norton as recorded in Deed Book 496, Page 29, Alamance County Registry; thence along a northern line of Norton the following three bearing breaks: South 53°44'13" West 230.32 feet to an EIP, North 72°06'34" West 358.61 feet to an EIP, and South 88°05'57" West 555.25 feet to an EIP located in the eastern margin of Haw River; thence along the eastern margin of Haw River the following four bearing breaks: North 10°30'39" West 158.30 feet to a point; North 13°49'44" West 95.61 feet to a point, North 17°33'43" West 153.10 feet to a point, and North 25°36'35" West 85.11 feet to an EIP located in the southwestern corner of property now or formerly owned by David Nelson Cox as recorded in Deed Book 1597, Page 570, and being Lot 2 as shown in Plat Book 55, Page 76, Alamance County Registry; thence along the southern line of Cox North 58°55'34" East 599.64 feet to an EIP located in the southwestern corner of property now or formerly owned by David Nelson Cox as recorded in Deed Book 994, Page 625, and being Lot 1 as shown in Plat Book 55, Page 76, Alamance County Registry; thence along the lines of Cox the following four bearing breaks: North 58°55'34" East 331.02 feet to an EIP, North 43°27'02" East 249.63 feet to an EIP, South 73°05'38" East 224.85 feet to an EIP, and North 53°44'21" East 249.42 feet to an EIP located in the southwestern margin of the right of way of N.C. Highway 54; thence along the southwestern margin of the right of way of N.C. Highway 54 South 36°15'47" East 844.11 feet to the point and place of BEGINNING, containing 32.822 acres, more or less, according to a Boundary Survey for Pierce Homes of Carolina, Inc. prepared by Borum, Wade and Associates, P.A. dated November 1, 2006, revised February 7, 2007, and March 22, 2007, designated as Plan Sheet No. C-1184.

SAVE AND EXCEPT FROM THE ABOVE-DESCRIBED PROPERTY THE FOLLOWING: BEGINNING at an EIP located in a southern line of property now or formerly owned by David Nelson Cox as recorded in Deed Book 994, Page 625, and being Lot 1 as shown in Plat Book 55, Page 76, Alamance County Registry, said point of Beginning also being located South 53°44'21" West 310.00 feet and North 73°05'38" West 224.85 feet from the southeastern corner of Lot 1 as shown in Plat Book 55, Page 76, Alamance County Registry; thence along a southern line of Cox South 73°05'38" East 65.00 feet to a point located in a northern line of property now or formerly owned by JEN Investments as recorded in Deed Book 2347, Page 832, Alamance County Registry; thence along a northern line of JEN Investments South 81°35'32" West 94.15 feet to a point located in a southern line of property now or formerly owned by David Nelson Cox; thence along a southern line of Cox North 43°27'02" East 45.00 feet to the point and place of BEGINNING, containing 1308.3 Square Feet (0.030 acres) more or less, according to a Property Transfer Map prepared by Borum, Wade and Associates, P.A. dated February 28, 2007.

EXHIBIT B
BYLAWS
OF
LAURELTON VILLAGE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is Laurelton Village Homeowners Association, Inc. hereinafter referred to as the "Association." The initial principal office of the association shall be located at 1851 S. Main Street, Graham, Alamance County, North Carolina, 27253 but meetings of Members and the meetings of the Executive Board may be held at such places within the State of North Carolina, as may be designated by the Executive Board.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Laurelton Village Homeowners Association, Inc., its successors and assigns.

Section 2. "Common Elements" or "Common Area" shall mean all real property owned (whether in fee or by way of license or easement) or leased by the Association, as more fully described in the Declaration.

Section 3. "Declarant" shall mean and refer to Laurelton Village, LLC, a North Carolina limited liability company, its successors and assigns, pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successor or assign, all of which rights, including Declarant's voting, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

Section 4. "Declaration" shall mean and refer to any Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the Register of Deeds of Alamance County, North Carolina. Except as otherwise herein defined, the capitalized terms used herein shall have the meaning set forth in the Declaration.

Section 5. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision plat of the Properties intended for single family detached residential purposes or townhome residential purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively. Lots which contain or which are intended for use as a single family detached residence are sometimes hereinafter referred to as "Single Family Lots" and Lots which contain or which are intended for

use as a townhome are sometimes hereinafter referred to as "Townhome Lots." Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional Common Elements; provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by the Appropriate Local Governmental Authority, nor shall any Lot within the Properties contain fewer square feet than the minimum number of square feet from time to time required by the Appropriate Local Governmental Authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

Section 6. "Member" shall mean and refer to every person or entity who holds Membership with voting rights in the Association. "Single Family Member" shall mean and refer to a Member who or which is a record owner of a fee interest in a Single Family Lot. "Townhome Member" shall mean and refer to a Member who or which is a record owner of a fee interest in any Townhome Lot.

Section 7. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, but excluding those having such interest as security for the performance of an obligation.

Section 8. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions for Laurelton Village, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE III

MEMBERSHIP AND PROPERTY RIGHTS

Section 1. Membership. All Owners and Declarant shall be Members of the Association. The voting rights of the Members shall be as provided by the Declaration. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for such Lot shall be exercised as they among themselves determine. The President of the Association shall have the authority to require, upon giving at least ten (10) days' written notice, that such multiple Owners of a Lot file a Certificate with the Secretary of the Association, signed by all of the Owners, designating the person entitled to cast the vote for such Lot. Such Certificate shall be valid until revoked by a subsequent Certificate. If such Certificate is not filed when required, the vote of such Owners shall not be considered in determining the requirements for a quorum or for any other purpose.

Section 2. Property Rights. Each Member shall be entitled to the use and enjoyment of the Common Elements as provided in the Declaration. Any Owner may delegate Owner's right

of enjoyment to the Common Elements and facilities to the members of Owner's family, to Owner's tenants, or to contract purchasers who reside on the Property.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter at such time and place as the Executive Board may prescribe.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the president or by the Executive Board, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all the votes of the Membership of the Association.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Waiver by a Member in writing of the notice required herein, signed by Member before or after such meeting, shall be equivalent to the giving of such notice.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of the Membership of the Association shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of Member's Lot.

Section 6. Parliamentary Rules. Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these Bylaws or with the Statutes of the State of North Carolina.

ARTICLE V

EXECUTIVE BOARD: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by an Executive Board the members of which, during the Period of Declarant Control, need not be Members of the Association. During the Period of Declarant Control, the Executive Board shall consist of three (3) persons. Following the expiration of the Period of Declarant Control, the Executive Board shall consist of no less than three (3) and no more than seven (7) persons, as determined by the Executive Board and the Declaration, a majority of whom shall be Owners.

Section 2. Term of Office. At the first annual meeting at which the Members are entitled to elect all of the members of the Executive Board, at least two-thirds of the members of the Executive Board shall be elected for a term of two (2) years and the remaining members of the Executive Board shall be elected for a term of one (1) year; and at each annual meeting thereafter the Executive Board members shall be elected for a term of two (2) years.

Section 3. Removal: Filling Vacancies. Any Executive Board member elected by the Members of the Association may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. Vacancies in the Executive Board may be filled until the date of the next Annual Meeting of the Association or until a Special Meeting of the Members of the Association called for such purpose by the remaining Executive Board members, except that should any vacancy in the Executive Board be created by the removal or resignation of any person appointed by Declarant to serve as a member of the Executive Board, such vacancy shall be filled by Declarant appointing, by written instrument delivered to any Officer of the Association, such successor to fill the vacated Executive Board position for the unexpired term thereof.

Section 4. Compensation. No Executive Board member shall receive compensation for any service he may render to the Association. However, any Executive Board member may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The Executive Board members shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Executive Board members. Any action so approved shall have the same effect as though taken at a meeting of the Executive Board members.

ARTICLE VI

NOMINATION AND ELECTION OF EXECUTIVE BOARD MEMBERS

Section 1. Appointment. Declarant from time-to-time shall appoint the members of the Executive Board which it shall be entitled to appoint in accordance with the provisions of the Declaration by written instrument presented to an Officer of the Association. Each of said individuals so appointed by Declarant shall be deemed and considered for all purposes an Executive Board member, and shall thenceforth perform the offices and duties of such Executive Board member until the Executive Board member's successor shall have been appointed or

elected in accordance with the provisions of these Bylaws. Any Executive Board member designated by and selected by Declarant need not be a Member of the Association.

Section 2. Nomination. Nomination for the election of any Executive Board member the Declarant is not entitled to appoint pursuant to the terms of the Declaration shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Executive Board, and two or more Members of the Association. The Nominating Committee shall be appointed by the Executive Board prior to each annual meeting to serve until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Executive Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members.

Section 3. Election. All Executive Board members whom Declarant shall not be entitled to designate and select under the terms and provisions of the Declaration shall be elected by a plurality of the votes cast at the Annual Meeting of each class of Members of the Association, as provided below. At least a majority of the Executive Board members selected by the Members of the Association shall be Members of the Association or employees, shareholders, members or partners of a corporate, limited liability company or partnership Member of the Association. Election to the Executive Board shall be by secret written ballot. At such election the Members of the Association or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. Single Family Members shall be entitled to elect a majority of the Executive Board members and Townhome Members will be entitled to elect the remaining Executive Board members. For illustrative purposes, if the Executive Board consists of five (5) members, the Single Family Members will be entitled to elect three(3) members of the Executive Board and the Townhome Members will be entitled to elect two (2) members of the Executive Board. For purposes of electing Executive Board members. Single Family Members and Townhome Members shall vote as separate classes of Members. The persons receiving the largest number of votes of each class of Members shall be elected. Cumulative voting is not permitted. The Association shall publish the names and addresses of all members of the Executive Board within thirty (30) days after a Member is either elected or appointed to the Executive Board.

ARTICLE VII

MEETINGS OF EXECUTIVE BOARD MEMBERS

Section 1. Regular Meetings. Regular meetings of the Executive Board shall be held at such time and place and with such notice as shall be determined by resolution of a majority of the Executive Board members. At regular intervals, the Executive Board shall provide Members an opportunity to attend a portion of the regular meetings of the Executive Board and to speak to the Executive Board about their issues and concerns. The Executive Board may place reasonable restrictions on the number of persons who speak on each side of an issue and may place reasonable time restrictions on persons who speak.

Section 2. Special Meetings. Special meetings of the Executive Board shall be held when called by the President of the Association, or by any two Executive Board members, after not less than three (3) days notice to each Executive Board member.

Section 3. Quorum. A majority of the number of Executive Board members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Executive Board members present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VIII

POWERS AND DUTIES OF THE EXECUTIVE BOARD

Section 1. Powers. In addition to the powers enumerated in the Declaration and the Association's Articles of Incorporation, the Executive Board shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Elements and facilities, and the personal conduct of the Members, and their guests thereon, and to establish penalties for the infraction thereof.

(b) after notice and an opportunity to be heard, suspend the voting rights and right to the use of any recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment, dues or charge levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and regulations.

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the Membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration.

(d) declare the office of a member of the Executive Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Executive Board.

(e) contract for the benefit of the Properties and to delegate to such contractors all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the Executive Board or Membership of the Association. The undertakings and contracts authorized by the initial Executive Board (including contracts for the management of Laurelton Village) shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Executive Board duly elected by the Membership after the recording of this Declaration, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Executive Board of the Association in accordance with the Declaration, the Articles of Incorporation and these Bylaws; and provided further that, any undertaking or contract entered into by the Association at a time before the Declarant has transferred control of the Association to Lot Owners shall contain a provision reserving the right of the Association to terminate such undertaking

or contract upon not more than ninety (90) days written notice to the other party(ies) thereto.

(f) employ attorneys to represent the Association when deemed necessary.

Section 2. Duties. It shall be the duty of the Executive Board to:

(a) cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the Annual Meeting of the Members, or any special meeting when such statement is requested in writing by the Members entitled to cast at least one-fourth (1/4) of the votes of the Membership of the Association.

(b) supervise all Officers, agents and employees of this Association, and to see that their duties are properly performed.

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period.

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period (provided, however, that failure of any Owner to receive such notice shall in no way affect the obligation of such Owner to pay annual assessments); and

(3) in the discretion of the Executive Board, foreclose the lien against any property, pursuant to Section 47F-3-116 of the North Carolina General Statutes, for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.

(d) issue, or to cause an appropriate Officer to issue, upon demand by any person, a certificate setting forth whether or not an assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

(e) procure and maintain insurance covering the Association, its Executive Board members, Officers, agents and employees and procure and maintain adequate hazard insurance on the real and personal property owned by the Association as follows:

(1) A policy of property insurance in an amount equal to the full replacement value (i.e., 100% of current "replacement cost" excluding land, foundations, excavations, streets and parking facilities) of the Common Elements owned by the Association (including all building service and related equipment) with an Agreed Amount Endorsement or its equivalent, if available, or an Inflation Guard Endorsement. Such insurance policy must protect against loss or damage by fire and other hazards covered by the standard extended coverage

endorsement, and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief and windstorm. If coverage is available, the policy may include coverage for water damage.

(2) A comprehensive policy of public liability insurance insuring the Association in an amount not less than One Million Dollars (\$1,000,000.00) for claims for personal injury and/or Property damage arising out of a single occurrence, such coverage to include protection against liability for non-owned and hired automobiles and liability for property of others, and, if available, may include coverage for water damage.

(3) If the Association elects to manage its own affairs and directly receive and disburse its own funds (or, if in addition to professional management, the Officers or Executive Board members of the Association can and do directly receive or disburse the monies of the Association), the Executive Board shall maintain fidelity coverage against dishonest acts by the Association's Officers, Executive Board members, trustees and employees, and all others who are responsible for handling funds of the Association. If the Association employs a professional property management Person or firm to manage the Association and to receive and disburse the monies of the Association, then such professional management person or firm shall have adequate fidelity coverage against dishonest acts and the existence of such coverage shall satisfy the requirement of this paragraph.

Any such fidelity bonds shall name the Association as an obligee; shall be written in an amount equal to at least 150% of the estimated annual operating expenses of the Association, including reserves; shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; and shall provide that they may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Association and to any Institutional Lender who has given the notice required under Article X of the Declaration.

(4) If any of the insurance described above is not reasonably available, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners.

(5) Insurance policies carried pursuant to this subsection shall provide that (a) each Owner is an insured person under the policy to the extent of the Owner's insurable interest; (b) the insurer waives its right to subrogation under the policy against any Owner or member of the Owner's household; (c) no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and (d) if, at the time of a loss under the policy, there is other insurance in the name of the Owner covering

the same risk covered by the policy, the Association's policy provides primary insurance.

(f) cause all Officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate.

(g) cause the Common Elements to be maintained in accordance with the provisions of the Declaration.

(h) maintain any dedicated streets within the Properties which are not accepted for dedication by an appropriate governmental authority.

(i) maintain such properties and perform such services as set out in the Declaration.

(j) if and when appropriate pursuant to Article VI of the Declaration, cause the exterior of the Townhome Lots and the dwellings located thereon to be maintained.

(k) provide, within thirty (30) days after adoption of any proposed budget for the Association, all Owners with a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of all the Owners in the Association or any larger vote specified in the Declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The Officers of this Association shall be a president and one vice-president, who shall at all times be members of the Executive Board, a secretary, assistant secretary, and a treasurer, and such other Officers as the Board may from time to time by resolution create, including additional vice-presidents who need not be members of the Executive Board. The Association shall publish the names and addresses of all Officers within thirty (30) days of such Officers being elected by the Executive Board.

Section 2. Election of Officers. The election of Officers shall take place at the first meeting of the Executive Board following each annual meeting of the Members.

Section 3. Term: Compensation. The Officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve. No Officer shall receive

compensation for services rendered in such capacity to the Association; provided, however, that an Officer may be reimbursed for actual expenses incurred in the performance of such duties. In addition, no financial payments, including payments made in the form of goods or services, may be made to any Officer or member of the Executive Board or to a business, business associate, or relative of an Officer or member of the Executive Board except as expressly provided by these Bylaws or payments for services or expenses paid on behalf of the Association which are approved in advance by the Executive Board.

Section 4. Special Appointments. The Board may elect such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any Officer may be removed from office with or without cause by the Board. Any Officer may resign at any time by giving written notice to the Board, the president or secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The Officer appointed to such vacancy shall serve for the remainder of the term of the Officer he or she replaces.

Section 7. Duties. The duties of the Officers are as follows:

(a) President. The president shall preside at all meetings of the Executive Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

(b) Vice-President. The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary and Assistant Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Association together with their addresses, and shall perform such other duties as required by the Board. The assistant secretary shall assist the secretary and act in the place and stead of the secretary in the event of his or her absence.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Executive Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by an independent certified public accountant at the completion of each

fiscal year; and shall prepare an annual budget and statement of income and expenditures to be presented to the Membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE X

COMMITTEES

The Executive Board shall appoint Architectural Control Committees, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Executive Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE XI

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member, and any Institutional Lender, as that term is defined in the Declaration, including records of meetings of the Association and the Executive Board. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost. The Executive Board shall also make an annual income and expense statement and balance sheet available to any Member at no charge and within seventy-five (75) days after the close of the fiscal year to which the information relates. The Executive Board, upon written request, shall furnish a Member or the Member's authorized agent a statement setting forth the amount of unpaid assessments and other charges against a Lot. The statement shall be furnished within ten (10) days after receipt of the request and is binding on the Association, the Executive Board and every Member.

ARTICLE XII

WORKING CAPITAL FUND

In order to insure that the Association will have sufficient monies available to meet its initial operational needs, the Association shall establish two Working Capital Funds, one for the Townhome Lots and one for the Single Family Lots. Should any capital improvements benefit both the Townhome Lots and the Single Family Lots, then the monies shall be used from each Fund according to the benefit received. At the time of the closing of the first sale of each Lot, the purchaser thereof shall pay into such Fund an amount equal to two-twelfths (2/12ths) of the current annual assessment established by the Association. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these Bylaws.

ARTICLE XIII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. The Association may charge a reasonable late fee not to exceed the greater of Twenty Dollars (\$20.00) per month or ten percent (10%) of any unpaid assessment, the amount of which shall be established from time to time by the Executive Board of the Association, for assessments not paid within thirty (30) days after the due date. In addition, if the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate from time to time established by the Executive Board of the Association, said rate not to exceed eighteen percent (18%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of the assessments. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Elements or abandonment of his Lot.

ARTICLE XIV

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Laurelton Village Homeowners Association, Inc., North Carolina.

ARTICLE XV

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by the vote of a majority of the quorum of Members present and entitled to vote in person or by proxy. In addition, no amendment purporting to revoke or curtail any right herein conferred to Declarant shall be effective unless executed by Declarant.

Section 2. In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the case of any conflict between the Articles and the Declaration, the Declaration shall control.

ARTICLE XVI

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

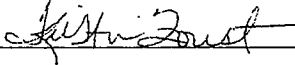
CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of Laurelton Village Homeowners Association, Inc., a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Executive Board thereof, held on the 15 day of March, 2013.

Laurelton Village Homeowners Association, Inc.

 Secretary