

NORTH CAROLINA

DURHAM/ORANGE COUNTY

Prepared by and return to: Robert O. Belo, PO Box 51579, Durham, NC 27717

**DECLARATION OF COVENANTS AND RESTRICTIONS
OF THE MEADOWMONT COMMUNITY ASSOCIATION, INC.
AND MEADOWMONT DEVELOPMENT COMPANY,
A NORTH CAROLINA JOINT VENTURE**

THIS DECLARATION, made this _____ day of _____, 1999 by MEADOWMONT COMMUNITY ASSOCIATION, INC., a North Carolina nonprofit corporation, called "Association," and MEADOWMONT DEVELOPMENT COMPANY, a North Carolina joint venture, hereinafter called "Company."

W I T N E S S E T H:

WHEREAS, the Company is the owner of the real property described in Article II of this Declaration and desires to create thereon a planned development community with a balanced representation of residential, commercial, industrial and recreational uses to be known as "Meadowmont;"

WHEREAS, the Company desires to provide for the preservation of value and for the maintenance of common facilities and services and for a vehicle for the administration and enforcement of covenants and restrictions;

WHEREAS, the Company has caused to be incorporated under the laws of the State of North Carolina a nonprofit corporation, Meadowmont Community Association, Inc., for the purpose of exercising the functions aforesaid which are hereinafter more fully set forth;

NOW, THEREFORE, the Company declares that the real property described in Article II, and such additions thereto as may hereinafter be made pursuant to Article II hereof, is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to the covenants, restrictions, conditions, easements, charges, assessments ("Assessments"), affirmative obligations and liens (all hereinafter sometimes referred to as "the Covenants") hereinafter set forth.

**ARTICLE I
DEFINITIONS**

The following words and terms, when used in this Declaration or any supplemental declaration (unless the context shall clearly indicate otherwise), shall have the following meanings:

(a) "Association" shall mean and refer to Meadowmont Community Association, Inc., a North Carolina nonprofit corporation, its successors and assigns.

(b) "Meadowmont" shall mean and refer to the lands in Orange and Durham Counties, North Carolina, which are shown as a part of Meadowmont on the Company's Master Plan as revised from time to time.

(c) "Company" shall mean Meadowmont Development Company, a North Carolina joint venture, its successors and assigns.

(d) "Developer" shall mean Meadowmont Development Company, a North Carolina joint venture, its successors and assigns.

(e) "Affiliate" shall mean any corporation more than fifty percent (50%) of the voting stock of which is owned or controlled by the Company or the Developer, and any partnership or joint venture in which the Company or the Developer has more than a fifty percent (50%) equity interest or an interest in fifty percent (50%) or more of the cash flow from such partnership or joint venture.

(f) The "Properties" shall mean and refer to the Existing Property described in Article II hereof, and additions thereto, as are subjected to this Declaration or any Supplementary Declaration under the provisions of Article II hereof.

(g) "Residential Lot" shall mean any subdivided parcel of land located within the Properties for which no building permit has been issued by the appropriate governmental authorities and which parcel is intended for use as a site for a Single Family Detached Dwelling, Single Family "D" Duplex Unit, Patio Home (or Zero lot line) and Single Family C (Cluster), as shown upon any recorded final subdivision map or any part of the Properties. No parcel shall, however, be classified as a Residential Lot until the first day of the quarter of the year following after all of the following have occurred;

- (1) Recording of a Plat in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina, showing such Residential Lot;
- (2) The Lot has been placed on an "Inventory List" (as defined in Section 3(c) of Article (v) of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer or the Developer's Affiliates) in those cases where the Lot is owned by the Company, the Company's Affiliates, the Developer or the Developer's Affiliates.
- (3) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as a Residential Lot in those cases where the Lot is owned by any third party other than the Company, the Company's Affiliates, the Developer or the Developer's Affiliates.

(h) "Multiple-Family Tract" shall mean any unimproved parcel of land located within the Properties intended for development of Attached Residential Units, including townhouses, condominiums apartments and congregate care facilities as defined and controlled by the applicable zoning for Meadowmont. For the purposes of this Declaration, a parcel of land shall not be deemed a "Multiple-Family Tract" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property for Multiple-Family use is recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina, provided, however, that any property within said parcel of land which also qualifies as an "Exempt Property" as defined in paragraph (n) of this Article I shall not be deemed part of said Multiple-Family Tract for the purposes of calculating Assessments or votes. A Multiple-Family Tract, or portions of said Multiple-Family Tract, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to

Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in Section 3(d) of Article V.

(i) "Public or Commercial Site" shall mean any unimproved parcel of land within the Properties, intended for use as a site for improvements designed to accommodate commercial, governmental or business enterprises to serve Residents of Meadowmont and/or the public, including, but not limited to: business and professional office; facilities for the retail sale of goods and services; banks and other financial institutions; social clubs; restaurants; hotels, motels, inns; theaters; lounges; indoor and outdoor recreational facilities; hospitals and medical clinics; laboratories and other research and development facilities; commercial warehouses; transportation terminals or stations; automobile parking facilities, gasoline stations, industrial plants; and residential dwelling units within multi-use public or commercial buildings or facilities; provided, however, that a "Public or Commercial Site" shall not include property upon which improvements are to be built which also qualifies as a Multiple-Family Tract, nor shall it include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. For the purposes of this Declaration, a parcel of land shall not be deemed a "Public or Commercial Site" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Public or Commercial Site is recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina. A Public or Commercial Site, or portions of said Site, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in Section 3(e) of Article V.

(j) "Development Unit Parcel" or "Unit" shall mean and refer to any parcel or tract of land within the Properties conveyed by the Company to any third party under Covenants and Restrictions permitting the division of such parcel or tract into smaller land units such as Residential Lots, Multiple-Family Tracts, or Public or Commercial Sites. For the purposes of this Declaration, a parcel of land shall not be deemed a "Development Unit Parcel" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a development Unit Parcel is recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina; provided, however, that a "Development Unit Parcel" shall not include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. A Development Unit Parcel, or portions thereof, shall remain classified as such until further subdivided and classifiable as a Residential Lot or Lots, Multiple-Family Tract, or Public or Commercial Site pursuant to Section 3(h) of Article V.

(k) "Unsubdivided Land" shall mean and refer to all land in the Existing Property described in Article II hereof, and additions thereto, as are subjected to this Declaration or any supplemental declaration under the provisions of Article II hereof, which has not been subdivided into and classified as Residential Lots, Multiple-Family Tracts, Public or Commercial Sites, or Development Unit Parcels, through metes and bounds subdivision plats recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina; provided, however, that "Unsubdivided Land" shall not include any property which also qualifies as "Exempt Property" in paragraph (n) of this Article I. Unsubdivided Land, or portions thereof, shall remain classified as such until subdivided and classifiable as a Residential Lot or Lots, Multiple-Family Tract, Public or Commercial Site, or Development Unit Parcel pursuant to Section 3 of Article V.

(l) "Family Dwelling Unit" shall mean and refer to any improved property or any property formerly classified a Residential Lot for which a building permit has been issued by the appropriate governmental authorities, which property is located within the Properties and intended for use as a Single Family Dwelling, including without limitation, any Single-Family Detached Dwelling, Single Family "D" Duplex Unit, or Patio Home (or Zero lot line). "Family Dwelling Unit" shall also mean and refer to any improved property located within the Properties for which a building permit has been issued and which is intended for use as a Condominium Unit, Townhouse Unit, Cooperative Apartment Unit, Congregate Care Unit, or Apartment Unit .

(m) "Public or Commercial Unit" shall mean and include any improved parcel of land within the Properties which is intended and designed to accommodate public, commercial, governmental or business enterprises to serve Residents and/or the public, including, but not limited to, all those enterprises enumerated in subparagraph (i); provided, however, that a "Public or Commercial Unit" shall not include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. A parcel of land shall not be deemed to be improved until the improvements being constructed on said parcel are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties.

(n) "Exempt Property" shall mean and refer to the following classifications of property within the Properties which, for the purposes of this Declaration, shall not be deemed "Multiple-Family Tracts," "Public or Commercial Sites," "Development Unit Parcels," "Unsubdivided Land," or "Public or Commercial Units" and shall be expressly excepted from the definitions thereof:

- (1) All land designated on the Master Plan for intended use, or by actual use if applicable, for (i) indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, the Associations and any other homeowners association (hereinafter referred to as "Homeowners Association") organized by the Company or by others with the consent of the Company within the Properties if such Homeowners Association operates such facilities for the private use of its members or the Members of the Association, including, but not limited to, marinas, tennis courts, platform tennis courts, handball courts, squash courts, basketball courts, swimming pools, gymnasiums, golf courses, ice skating rinks, and any showers, locker rooms or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, parks, horseback riding stables, riding arenas, riding trails, walking trails, bike trails, boardwalks, decks, bicycle rental facilities, operating farms and/or animal pastures, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings and concession-type food services associated with all such uses; and (ii) places of worship; libraries; fire stations and rescue squads; post offices; nursery schools, and other schools and instructional centers; nonprofit or charitable community, civil or cultural clubs and institutions; and other similar community facilities which the Board of Directors, in its sole and uncontrolled discretion, may designate as Exempt Properties;

- (2) All lands and any improvements thereon designated in any way as Common Properties or Restricted Common Properties;
- (3) All lands and any improvements thereon committed to the Association through express written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Properties and Intended Restricted Common Properties;
- (4) All lands designated on the Master Plan or on recorded plats as Open Space or Private Open Space (hereinafter referred to, respectively, as "Open Space Areas" and "Private Open Space Areas") as defined in the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont, and any improvements thereon which are defined in subparagraph (1) of this paragraph (n);
- (5) Property which is used for the maintenance, operation and service of facilities with Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties and facilities within Open Space Areas which are defined in subparagraph (1) of this paragraph (n);
- (6) Property which is used for the maintenance, operation and service of utilities within the Properties;

(o) "Owner" shall mean and refer to the Owner as shown by the Real Estate Records in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina, whether it be one (1) or more persons, firms, associations, corporations or other legal entities of fee simple title to any Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel or Unsubdivided Land situated upon the Properties but, notwithstanding any applicable theory of a deed of trust, shall not mean or refer to the mortgagee or holder of a deed of trust, its successors or assigns, unless and pursuant to foreclosure or a proceeding or deed in lieu of foreclosure; nor shall the term "Owner" mean or refer to any lessee or Tenant of an Owner. In the event that there is recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina, a long-term contract of sale covering any Lot or Parcel of land within the Properties, the Owner of such Lot or Parcel of land shall be the Purchaser under said contract and not the fee simple title holder. A long-term contract of sale shall be one where the Purchaser is required to make payments for the Property for a period extending beyond nine (9) months from the date of the contract and where the Purchaser does not receive title to the Property until all such payments are made, although the Purchaser is given the use of said Property.

(p) "Tenant" shall mean and refer to the lessee under a written agreement for the rent and hire of a Family Dwelling Unit or Public or Commercial Unit in Meadowmont.

(q) "Resident" shall mean and refer to each Owner and Tenant of a Family Dwelling Unit who resides in Meadowmont.

(r) "Member" shall mean and refer to all those Owners and Tenants who are Members of the Association as defined in Section 1 of Article III.

(s) "Master Plan" shall mean and refer to the drawing which represents the conceptual plan for the future development of Meadowmont and as approved by the Town of Chapel Hill unit development of Meadowmont. Since the concept of the future development of Meadowmont is subject to continuing revision and change by the Company, present and future references to the "Master Plan" shall be references to the latest revision thereof. A copy of the Master Plan is available at the Chapel Hill Town Hall, Planning Department and the office of the Company.

(t) "Intended for Use" shall mean the use intended for various parcels within the Properties as shown on the Master Plan of Meadowmont prepared by the Company as the same may be revised from time to time by the Company, or the use to which any particular parcel of land is restricted by Covenants expressly set forth or incorporated by reference in deeds by which the Company has conveyed the property.

(u) "Common Properties" shall mean and refer to those tracts of land with any improvements thereon (including without limitation ponds and associated structures) which are deeded to the Association and designated in said deed or lease as "Common Properties." The term "Common Properties" shall also include any personal property acquired or leased by the Association if said property is designated a "Common Property." All Common Properties are to be devoted to and intended for the common use and enjoyment of the Members of the Association, their guests and visiting members of the general public (to the extent permitted by the Board of Directors of the Association and to the extent permitted by the laws of the Town of Chapel Hill) subject to the fee schedules and operating rules adopted by the Association. Common Properties shall not include those tracts of land falling within the definition of "Restricted Common Properties" set forth below.

(v) "Restricted Common Properties" shall mean and refer to those tracts of land with any improvements thereon (including without limitation ponds and associated structures) which are deeded to the Association and designated in such deed or lease as "Restricted Common Properties." The term "Restricted Common Properties" shall also include any personal property acquired or leased by the Association if said property is designated a "Restricted Common Property." All Restricted Common Properties are to be devoted to, and intended for the common use and enjoyment of, Type "A" Members of the Association, guests accompanying such Members and the Company, so long as the Company is a Type "A" Member of the Association, with all use of Restricted Common Properties to be subject to the fee schedules and operating rules adopted by the Association. Any lands or personal property which are leased by the Association for use as Restricted Common Properties shall lose their character as Restricted Common Properties upon the expiration of such lease.

(w) "Intended Common Property" shall mean and refer to those tracts of land and any improvements thereon committed to the Association through express written notification by the Company to the Association of intent to convey said property to the Association as a Common Property.

(x) "Intended Restricted Common Property" shall mean and refer to those tracts of land and any improvements thereon committed to the Association through express written notification by the Company to the Association of intent to convey said property to the Association as a Restricted Common Property.

(y) "Neighborhood Area" shall mean and refer to areas in Meadowmont designated as neighborhoods on the Master Plan and subdivision plats recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina.

(z) "Referendum" shall mean and refer to the power of all, or some specific portion of, the Members to vote by mailed ballots on certain actions by the Board of Directors of the Association more particularly set forth herein. In the event fifty-one percent (51%) of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members provided, however, that if a higher percentage required to "pass" shall be specifically expressed herein, that higher percentage shall control in that instance.

ARTICLE II EXISTING PROPERTY AND ADDITIONS

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to these Covenants is described as follows:

All that tract or parcel of land, situate, lying and being in Orange and Durham Counties, North Carolina, which is more particularly described in Exhibit "A" attached hereto and by specific reference made a part hereof.

All of the real property hereinabove described shall sometimes be referred to herein as the "Existing Property." The Company intends to develop the Existing Property in accordance with a Master Plan prepared in its Planning Department and placed on display in its Reception and Sales Office and other areas. The Company reserves the right to review and modify the Master Plan at its sole option from time to time based upon its continuing research and design program. The Master Plan shall not bind the Company, its successors and assigns to adhere to the Master Plan in the development of the land shown thereon. Subject to its right to modify the Master Plan as stated herein, the Company shall convey to the Association certain properties designated on the Master Plan as properties which may be transferred to the Association as, in the reasonable exercise of its discretion, it so chooses without regard to the relative location of such portions or sections within the overall plan. Once conveyed to the Association, these properties shall become Common Properties or Restricted Common Properties, as the case may be. The Company shall not be required to follow any predetermined sequence or order of improvements and development, and it may bring within the plan of these Covenants additional lands and develop the same before completing the development of the Existing Property. Other than as stated in this paragraph, the Company shall have full power to add to, subtract from or make changes in the Master Plan regardless of the fact that such actions may later affect the relative maximum potential voting strength of the various types of membership of the Association.

Section 2. Additions to Existing Property. Additional lands may become subject to, but not limited to, this Declaration in the following manner:

(a) Additions. During the period of development, which shall by definition extend from date to January 1, 2015, the Company, its successors and assigns shall have the right,

without further consent of the Association, to bring within the plan and operation of this Declaration additional property shown on Exhibit B attached hereto. Such property may be subjected to this Declaration as one parcel or as several smaller parcels at different times. The additions of such property authorized under this paragraph may increase the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties and, therefore, may alter the relative maximum potential voting strength of the various types of membership of the Association.

The additions authorized under this and the succeeding subsection shall be made by recording a Supplementary Declaration of Covenants and Restrictions with respect to the additional property which shall extend the operation and effect of the Covenants and Restrictions of this Declaration to such additional property. The Supplementary Declaration of the Covenants and Restrictions may contain such complimentary additions and/or modifications as may be necessary or convenient, in the sole judgment of the Company, to reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such modifications shall have no effect upon the Property described in Section 1, Article II above, or upon any other additions to the Properties.

Provided, that any person or entity who is or becomes a developer of property shown on the master plan development of Meadowmont, but not presently subjected to this Declaration shall, be and become the assignee of the Company hereunder succeeding to all rights and obligations reserved unto the Company.

(b) Other Additions. Upon approval in writing of the Association pursuant to a simple majority of the vote of those present at a duly called meeting, the owner of any property who desires to add such property to the plan and operation of this Declaration and to subject it to the jurisdiction of the Association, shall record a Supplementary Declaration of Covenants and Restrictions with respect to the additional property which shall extend the operation and effect of the Covenants and Restrictions of this Declaration to such additional property. The additions of such property authorized under this paragraph may increase the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties, and therefore, may alter the relative maximum potential voting strength of the various types of membership of the Association.

The Supplementary Declaration may contain such complementary additions and/or modifications of the Covenants and Restrictions contained in this Declaration as may be necessary or convenient for the inclusion to Meadowmont of the added properties and as are not inconsistent with the plan of this Declaration, but such modifications shall have no effect upon the Property described in Section 1, Article II above, or upon any other additions to the Properties.

(c) Mergers. Upon merger or consolidation of the Association with another association, as provided for in the By-Laws of the Association, its property rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or in the alternative, the properties, rights and obligations of another association may, by operation of law, be added to the properties of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Existing property, together with the Covenants and Restrictions established upon any other properties, as one plan. No merger or consolidation shall effect any revocation, within the Existing Property, including, without limitation, the maximum limits on Assessments and dues of the Association, or any other matter substantially affecting the interests of Members of the Association.

(d) Additional lands which become subject to this Declaration under the provisions of this Section II may in the future be referred to as a part of Meadowmont. Also, the name "Meadowmont" may be used by the Company to refer to other nearby properties not subject to this Declaration.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership The Company shall be a Member of the Association, and a creditor who acquires title to the Properties or any portion thereof pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, shall be a Member of the Association. Every Owner and Tenant, unless otherwise specified, shall be a Member of the Association; provided, however, that no Tenant shall be entitled to voting rights solely by virtue of his/her/its status as Tenant. Every Owner shall be required, upon request, to submit the name(s) of his Tenant(s) and the duration of their tenancy to the Secretary of the Association. The Association may issue to each Member a membership card which shall expire upon termination of a Tenant's Lease or upon sale by an Owner of his property in Meadowmont. Tenants of Public or Commercial Units shall not be Members of the Association unless otherwise specified herein.

Section 2. Voting Rights. The Association shall have four (4) types of regular voting membership and one (1) type of special voting membership which provides the Company, its successors and assigns with the power to elect a portion of the Board of Directors:

TYPE "A": Type "A" Members shall be all Owners including the Company, its successors and assigns of Residential Lots and Family Dwelling Units (which include Apartment Units and Congregate Care Units). A Type "A" Member shall be entitled to a number of votes equal to the number produced by dividing the Current Annual Assessment paid by such Owner by the then Current Annual Assessment levied upon a Family Dwelling Unit.

TYPE "B": Type "B" Members shall be all those Owners including the Company, its successors and assigns of platted Public or Commercial Sites, Multiple-Family Tracts and Congregate Care Sites. A Type "B" Member shall be entitled a number of votes equal to the number produced by dividing the Current Annual Assessment paid by such Owner by the then current Annual Assessment levied upon a Family Dwelling Unit.

TYPE "C": Type "C" Members shall be all those Owners including the Company, its successors and assigns of Public or Commercial Units. A Type "C" Member shall be entitled a number of votes equal to the number produced by dividing the Current Annual Assessment paid by such Owner by the then current Annual Assessment levied upon a Family Dwelling Unit.

TYPE "D": Type "D" Members shall include all those Owners including the Company, its successors and assigns of Unsubdivided Lands and Development Unit Parcels held and intended for future development by the Company or a third party. A Type "D" Member shall be entitled a number of votes equal to the number produced by dividing the Current Annual Assessment paid by such Owner by the then current Annual Assessment levied upon a Family Dwelling Unit.

TYPE "E": The Type "E" Member shall be the Company its successors and assigns. The Type "E" Member shall be entitled to elect a portion of the Board of Directors as set out in Section 4 of this Article III.

Payment of Special Assessments shall not entitle type "A," "B," "C", and "D" Members to additional votes.

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

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

The voting rights of any Owner may be assigned by said Owner to his lessee; provided, however, that the Owner may not assign to such lessee any vote or votes not attributable to the property actually leased by such lessee. The Type "A," "B," "C", and "D" Members are sometimes hereinafter collectively referred to as the "Members." Any vote unless otherwise designated shall be presumed to be the vote of the entire unit.

Section 3. Governance. The Association shall be governed by a Board of Directors consisting of three (3), five (5), seven (7) or nine (9) Members. The number and term of such Directors is to be determined in accordance with the provisions of the Articles of Incorporation of the Association. Except as may be otherwise provided in the Articles of Incorporation, there shall be two (2) classes of Directors: Class I Directors shall be elected by the Type "A," "B," "C", and "D" Members, and Class II Directors shall be elected by the Type "E" Members. The majority of the Directors shall be Class II Directors until the earlier of (a) January 1, 2005, or (b) seventy-five percent (75%) of the total acreage in Meadowmont is owned by others than the Company or its successors or assigns, and public governmental agencies or bodies at which time all the Directors shall be Class I Directors.

Section 4. Election of The Board of Directors. (a) Each Member of Type "A," "B," "C", and "D" Membership classes shall be entitled to as many votes as equals the total number of votes he is entitled to based on his Ownership of or Tenancy in one (1) or more of the various classifications of property as computed by the formula set out hereinabove in Section 2 hereof.

Each Member may cast the total number of votes to which he is entitled for each vacancy to be filled by a Class I Director. Cumulative voting shall not be allowed. Members, except the Type "E" Membership, are divided into classes for the purpose of computing voting rights and shall not vote as a class.

The Type "A," "B," "C", and "D" Members shall elect the Class I Director(s), and the Type "E" Member shall elect the Class II Director(s).

Section 5. Members to Have Power of Referendum in Certain Instances. Where specifically provided for herein, the Members, or some specific portion thereof, shall have the power to approve or reject certain actions proposed to be taken by the Association by Referendum. In the event fifty-one percent (51%) or more of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members; provided, however, that if a higher percentage vote required to "pass" shall be specifically expressed herein, that higher percentage shall control in that instance. The Board of Directors may not undertake any action requiring a Referendum without complying with the provisions herefore. At any time that the Type "A," "B," and "C" members have the ability to elect a majority of the Board of Directors, the Members may require a Referendum on any action of the Board of Directors by presenting to the Secretary of the Board, within thirty (30) days of the taking of such action or ratification by the Board of its intent to take such action, a petition signed by not less than twenty-five (25%) percent of the Members.

Section 6. Quorum Required for Any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any action which is subject to a vote of the members at an open meeting of the Association (as distinguished from the Referendum) shall be as follows:

(a) The first time a meeting of the Members of the Association is called to vote on (i) an increase in the Maximum Regular Annual Assessment greater than that provided for by subparagraph (o) of Section 3 of Article V hereof, (ii) a Special Assessment as provided for by Section 4 of Article V hereof, (iii) the gift or sale of any parcel of land and improvements thereon designated as a Common Property or Restricted Common Property as provided for by subparagraph (f) of Section 4 of Article IV hereof, (iv) an Amendment to this Declaration as provided for by Section 2 of Article VIII hereof, or (v) the termination of this Declaration as provided by Section 1 of Article VIII hereof, the presence at the meeting of Members or proxies entitled to cast sixty percent (60%) of the total vote of the Membership required for such action shall constitute a quorum.

(b) The first time a meeting of the Members of the Association is called to vote on any action proposed to be taken by the Association, other than that described in subparagraph (a) above, the presence at the meeting of Members or proxies entitled to cast thirty percent (30%) of the total vote of the Membership required for such action shall constitute a quorum.

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

Unless otherwise provided, any reference hereafter to "votes cast at a duly called meeting" shall be construed to be subject to the quorum requirements established by this Article III, Section 6, and any other requirements for such "duly called meeting" which may be established by the By-Laws of the Association. For the purpose of this section, "proper notice" shall be deemed to be given when given each Member not less than thirty (30) days prior to the date of the meeting at which any proposed action is to be considered.

Section 7. Proxies. All Members of the Association may vote and transact business at any meeting of the Association by proxy authorized in writing, provided, however, that Proxies shall not be required for any action which is subject to a Referendum, in which case the votes of all the Members polled shall be made by specifically provided ballots mailed or delivered to the Association.

Section 8. Ballots by Mail. When required by the Board of Directors, there shall be sent with notices of regular or special meetings of the Association, a statement of certain motions to be introduced for vote of the Members and a ballot on which each Member may vote for or against each such motion. Each ballot which is presented at such meeting shall be counted in calculating the quorum requirements set out in Section 6 of this Article III. Provided, however, such ballots shall not be counted in determining whether a quorum is present to vote upon motions not appearing on the ballot.

Section 9. Board of Directors Vote. Upon election hereunder all Directors, Class I and II have the same vote on matters that come before the Board.

ARTICLE IV PROPERTY RIGHTS IN THE COMMON PROPERTIES

Section 1. Members' Easements of Enjoyment in Common Properties. Subject to the provisions of these Covenants, the rules and regulations of the Association, any fees or charges established by the Association, every Type "A," "B," "C," "D", and "E" Member guest, invitees and employees of such Type "A" Member shall have an easement of enjoyment in and to the Common Properties, and such easement shall be appurtenant to and shall pass with the title of every Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or any Unsubdivided Land.

Employees of the Type "E" Member and its agent, the Developer, shall have access to and enjoyment of the Common Properties subject to rules and regulations and user fees established by the Board of Directors.

A Member's spouse, parent and children who reside with such Member shall have the same easement of enjoyment hereunder as a Member.

In those instances where a Residential Lot or Family Dwelling Unit or other property in Meadowmont is owned or occupied as a Tenant by two (2) or more persons (who do not have the relationship of spouse, parent or child, one to the other) or by a corporation, such joint Owners, Tenants and corporations shall annually appoint one (1) person as the "Primary Member." Such Primary Member shall have the same easement of enjoyment in the Common Properties as Members who own or occupy such property singularly. The remaining Joint Members and Tenants and the principal officers of such corporation shall be entitled to an easement of enjoyment in the Common Properties by:

- (1) Paying the same use fees as guest of Members, or
- (2) By paying to the Association annually an amount equal to the Annual Assessment charged against the property in which he or she owns a fractional interest or occupies as a Tenant. The payment of such amount shall not entitle such remaining Joint Members, Tenants or principal officers to additional votes in the Association.

Notwithstanding the foregoing, all Tenants rightfully occupying units in Apartment Parcel A shall have the same easement of enjoyment in common areas without payment of additional user fees, as the Primary Member. Also, as determined in the sole and uncontrolled discretion of the Board of Directors, certain Owners of Exempt Properties, and certain Tenants and guests, may have access to and enjoyment of the Common Properties subject to rules and regulations and user fees established by the Board of Directors.

Section 2. Members' Easements of Enjoyment in Restricted Common Properties. Subject to the provisions of these covenants and the Chapel Hill Town Ordinances, the rules and regulations of the Association, and any fees or charges established by the Association, every Type "A" Member, but not Type "B," "C", or "D" Member, shall have a right and easement of enjoyment in and to the Restricted Common Properties and such easement shall be appurtenant to and shall pass with the title of every Residential Lot and Family Dwelling Unit. By an affirmative vote of seventy-five percent (75%) of the votes cast at a meeting of the Association called for the purpose of voting on such proposal, a "Restricted Common Property" may be changed into an unrestricted "Common Property." Employees of the Company and its agent, the Developer, shall have access to and enjoyment of the Restricted Common Properties so long as the Company is a Type "A" Member, subject to rules, regulations and user fees established by the Board of Directors.

Section 3. Title to Common Properties and Restricted Common Properties.

(a) The Company covenants for itself, its successors and assigns that it shall convey by fee simple deed to the Association unencumbered by any lien, mortgage, or Deed of Trust, at no cost to the Association and subject to (i) all restrictions and limitations imposed by the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont, including, without limitation, all rights of easement and rights of entry reserved unto the Company, its successors and assigns, in said Declaration, (ii) all other restrictions and limitations of record at the time of conveyance, (iii) any restrictions, limitations conditions, or determinations as to the purposes and uses of the conveyed properties as stipulated in said deed, (iv) any commitments by the Company to construct certain improvements thereon as stipulated in said deed, those Intended Common Properties and Intended Restricted Common Properties described in Section 5 of this Article IV hereof, and any other parcels of land and any improvements thereon now or hereafter designated as Intended Common Properties or Intended Restricted Common Properties; and, upon such conveyance, such parcels of land and any improvements thereon shall become Common Properties or Restricted Common Properties as designated in said deed. Common Properties shown on each recorded plat shall be conveyed to the Association prior to the conveyance of any lot or lots shown on said plat.

(b) The Association shall not refuse the designation of any parcel of land or any improvements thereon as an Intended Common Property or Intended Restricted Common Property through the express written notification by the Company to the Association of intent to convey said property to the Association, and, further, the Association shall not refuse to accept

any Intended Common Property or Intended Restricted Common Property as a Common Property or Restricted Common Property at such time as the Company, in its sole and uncontrolled discretion, deems it advisable to convey such property to the Association.

(c) Upon conveyance of any parcel of land and any improvements thereon as a Common Property or Restricted Common Property by the Company or any other third party, the Association shall immediately become responsible for all maintenance and operation of said property, and for such additional construction of improvements thereon as may be authorized by the Association's Board of Directors subject to the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont. It is the purpose of this provision to provide that the Association shall be responsible for all maintenance and operation of all Common Properties, Restricted Common Properties.

(d) Notwithstanding anything in the foregoing to the contrary, the Company reserves unto itself, its successors and assigns, and agents, the right to enter upon any Intended Common Property, Intended Restricted Common Property, Common Property or Restricted Common Property for the purpose of constructing indoor and outdoor recreational and community facilities thereon, including, but not limited to, marinas, tennis courts, platform tennis courts, handball courts, squash courts, basketball courts, swimming pools, gymnasiums, golf courses, ice skating rinks, and any showers, locker rooms or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, parks, horseback riding stables, riding arenas, riding trails, walking trails, bike trails, boardwalks, decks, boating facilities, boat rental facilities, boat and trailer storage facilities, bicycle rental facilities, operating farms and/or animal pastures, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots serving recreational facilities, service buildings and concession-type food services associated with all such uses. The provisions of this paragraph shall in no way create any obligation on the part of the Company to construct any such facilities on said properties.

(e) Natural areas, trail areas, etc. may be designated from time to time as Intended Common Properties or Intended Restricted Common Properties and shall be conveyed in large or small parcels from time to time after the Company has completed the surveying and plotting of all adjacent subdivisions for Single Family Detached, Single Family "D" Duplex, and Patio Home (or Zero Lot Line) housing areas, Multiple-Family Tracts, Public or Commercial Sites or Development Unit Parcels which may abut such natural areas, trail areas, etc. Written notification designating such properties as Intended Common Properties or Intended Restricted Common Properties will not normally show metes and bounds and, in any event, the metes and bounds as shown on the recorded plat and deed to the Association shall govern.

Section 4. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in accordance with its By-Laws, to borrow money from the Company or any lender for the purpose of improving and/or maintaining the Common Properties and Restricted Common Properties, and providing services authorized herein and in aid thereof to mortgage said properties provided, however, that any such mortgage is approved, in writing, by those Members entitled to cast at least eighty percent (80%) of the votes which could be cast at a meeting of the Association. Such lender shall be subordinate to the rights established herein; and

(b) The right of the Association to take such steps as are reasonably necessary to protect the above-described properties against foreclosure; and

(c) The right of the Association to suspend the rights and easements of enjoyment of any Member or Tenant or guest of any Member for any period during which the payment of any Assessment against property owned by such Member remains delinquent, and for any period not to exceed sixty (60) days for any infraction of its published rules and regulations, it being understood that any suspension for either nonpayment of any Assessment or a breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Member's obligation to pay the Assessment, and provided that the Association shall not suspend the right to use any roads belonging to the Association subject to the rules, regulations and fees, if any, established by the Association for such use. It is provided, however, that prior to the suspension of the aforementioned rights and easements, a hearing shall be held before the Board of Directors of the Association or, at the discretion of the Board, an adjudicatory panel appointed by the Board of Directors. The Member whose rights may be suspended shall be given notice of the charge and/or infraction, opportunity to be heard and to present evidence, and shall be given notice of the decision.

(d) The right of the Association to charge reasonable admission and other fees for the use of recreational facilities and services on the Common Properties and Restricted Common Properties.

(e) The right of the Company or the Association by its Board of Directors to dedicate or transfer to any public or private utility, utility or drainage easements on any part of the Common Properties and Restricted Common Properties.

(f) Subject to the Chapel Hill Town Ordinances, the right of the Association to give or sell all or any part of the Common Properties and Restricted Common Properties, including leasehold interests, subject to (i) the limitations and restrictions imposed by the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont and (ii) all other restrictions and limitations of record at the time of conveyance, to any public agency, authority, public service district, utility or private concern for such purposes and subject to such conditions as may be agreed to by the Members, provided, however, that no such gift or sale of any parcel of land and improvements thereon, or determination as to the purposes or as to the conditions thereof, shall be effective unless such dedication, transfers and determinations as to purposes and conditions shall be authorized by the affirmative vote of eighty percent (80%) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(a), and unless written notice of the meeting and of the proposed agreement and action thereunder is sent to every Member of the Association at least thirty (30) days prior to such meeting. A true copy of such resolution together with a certificate of the results of the vote taken thereon shall be made and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Association and such certificate shall be annexed to any instrument of dedication or transfer of any parcel of land and improvements thereon affecting the Common Properties or Restricted Common Properties prior to the recording hereof. Such certificates shall be conclusive evidence of authorization by the membership. The gift or sale of any personal property owned by the Association shall be determined by the Board of Directors in its sole and uncontrolled discretion.

Section 5. The Company covenants for itself, its successors and assigns, that, prior to January 1, 2015, it shall convey by deed to the Association, at no cost to the Association, and subject to all the restrictions and limitations of the various Articles of this Declaration and any

other restrictions and limitations of record, certain properties designated as Intended Common Properties and Intended Restricted Common Properties as listed below:

(a) Intended Common Properties. There shall be conveyed to the Association by the Company:

- (1) All those areas of Open Space or Private Open Space designated as such on the Company's Master Plan or subdivision plats recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina.
- (2) Any other parcel of land and any improvements thereon designated from date until January 1, 2015 as an Intended Common Property through express written notification by the Company to the Association of intent to convey said property to the Association.

(b) Intended Restricted Common Properties. There shall be conveyed to the Association by the Company any parcel of land and any improvements thereon designated from date until January 1, 2015, as an Intended Restricted Common Property through express written notification by the Company to the Association of intent to convey said property to the Association.

Section 6. As to any and all greenway property dedicated as an easement area to the Town of Chapel Hill, the uses and encumbrances of such property are subject to limitations of the Chapel Hill Town Ordinances. Greenway areas dedicated to the Town of Chapel Hill shall be for the use of the general public. Notwithstanding any other provisions of this Declaration, the Association, Owners, Members, tenants of Members, Members' guests or invitees, or families of Members shall not, within any portion of the Common Area which is greenway area dedicated to the Town of Chapel Hill, without the prior written consent of the Town of Chapel Hill:

- (a) Grant easements of any nature whatsoever;
- (b) Remove any trees or vegetation;
- (c) Erect gates, fences or other structures;
- (d) Place any garbage receptacles;
- (e) Fill or excavate;
- (f) Plant vegetation or otherwise restrict or interfere with the use, maintenance and preservation of said greenway in its natural state, including without limitation, recreational pursuits such as walking, bicycling and other similar activities by the general public.

It is understood and agreed that within any greenway area, the Town of Chapel Hill may erect trails, trail markers, place litter receptacles, and other convenience facilities and adopt and amend regulations concerning the use of the greenway (including without limitation hours of operation), which shall be equally applicable to the general public and the Owners. The Association and Lot Owners may adopt such other regulations governing the use of the greenway, not inconsistent with those adopted by the City and may enter into such agreements

with the Town of Chapel Hill is deemed appropriate to ensure the maintenance and upkeep of the greenway in its natural state, free of litter and unsightly debris.

ARTICLE V COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Company covenants, and each Owner of any Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or Unsubdivided Land located within the Properties, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to all the terms and provisions of this Declaration and to pay to the Association: (a) Annual Assessments or charges; and (b) Special Assessments or charges for the purposes set forth in this Article, such Assessments to be fixed, established and collected from time to time as hereinafter provided. The Annual and Special Assessments, together with such interest thereon and costs of collection thereof including a reasonable attorney's fee as hereinafter provided, shall be a charge and continuing lien on the real property and improvements thereon against which each such Assessment is made from time of filing such lien in the Clerk of Superior Court of Orange and Durham Counties's office. The Association may foreclose the claim of liens in like manner as provided in Section 47E-3-116 of the North Carolina General Statutes. Each such Assessment, together with such interest thereon and cost of collection thereof including a reasonable attorney's fee as hereinafter provided, shall also be the personal obligation of the person who was the Owner of such real property at the time when the Assessment first became due and payable. In the case of co-ownership of a Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel or any Unsubdivided Land, all of such co-owners shall be jointly and severally liable for the entire amount of the Assessment.

Section 2. Purpose of Assessments. The Annual Assessments levied by the Association shall be used exclusively for the improvement, maintenance, enhancement, enlargement and operation of the Common Properties, Restricted Common Properties, Intended Common Properties and Intended Restricted Common Properties and to provide services which the Association is authorized to provide and for payment of the permissible or required expenses of the Association.

Section 3. Application of "Maximum Assessment". The Maximum Regular Annual Assessment, as set forth in the schedule hereinbelow, and as is automatically increased annually pursuant to the provisions of subparagraph (o) below, shall be levied by the Association. If, however, the Board of Directors of the Association, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Assessment less than the Maximum Regular Annual Assessment, it may levy such lesser Assessment; provided, however, so long as the Company is engaged in the development of properties which are subject to the terms of this Declaration, the Association may not reduce Assessments below those set out in Section 3(a) immediately below without the written consent of the Company. The levy of an Assessment less than the Maximum Regular Annual Assessment in one (1) year shall not affect the Board's right to levy an Annual Assessment equal to the Maximum Regular Annual Assessment in subsequent years.

If the Board of Directors shall levy less than the Maximum Regular Annual Assessment for any Assessment year, such Annual Assessment shall automatically be five percent (5%) greater than the Annual Assessment levied for the previous Assessment year; provided, however,

that the Board of Directors may, by majority vote, levy a greater or lesser Assessment if it shall determine that the important and essential functions of the Association will be properly funded by such greater or lesser Assessment.

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

If the Board of Directors, by majority vote, determines that the important and essential functions of the Association will not be properly funded in any one (1) year, or in any one (1) year and all subsequent years, it may request approval of a specified increase in the Maximum Regular Annual Assessment for either one (1) year only, or for that one (1) year and all subsequent years, by the vote of the Members at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(a). Should the Members vote in favor of such proposed increase, it shall be deemed approved and may be levied by the Board. An increase in the Maximum Regular Annual Assessment for one (1) year only pursuant to the provisions hereof shall in no way affect the Maximum Regular Annual Assessment for subsequent years or increases thereof in subsequent years. An increase in the annual assessment by the vote of the members of the Association shall require an affirmative vote of a simple majority of those present in person or by proxy. Notwithstanding the foregoing, no increase in the Maximum Regular Annual Assessment shall be levied against the Office Tract located South of North Carolina Highway 54.

(a) From and after January 1, 1999, the Maximum Regular Annual Assessment shall be the sums calculated in accordance with the following Assessment Schedule, as shall be automatically increased in each instance by an inflation adjuster as set forth in Section 3(o) of this Article, and as may be increased pursuant to the provisions set forth immediately above:

<u>Property Type</u>	<u>Maximum Regular Annual Assessment</u>
Residential Lots	\$420.00 per Lot
Family Dwelling Units	\$420.00 per Unit
Family Dwelling Units In Apartment Parcel A (Parcel 5 Multi-family Residential Site)	\$ 120.00 per Unit
All other Apartment Parcels or Units	\$420.00 per Unit
Affordable Housing (Parcel 12B)	\$180.00 per Unit

Congregate Care Site (Parcel 2 and 2A)	\$420.00 per Unit, but not less than \$126,000.00 a year for 1998 and such sum shall increase by five percent (5%) each year beginning January 1, 1999
Public or Commercial Units	\$.25 per square foot of floor space approved for the site by the Town of Chapel Hill, but in no event less than \$420.00 for each unit
Public or Commercial Sites	\$200.00 per acre; prorated for part of an acre, but in no event less than \$200.00 for each site or Tract
Development Unit Parcels Unsubdivided Land	\$100.00 per acre

Notwithstanding the foregoing, from and after January 1, 1999, the Maximum Regular Annual Assessment shall be \$420.00 per Public or Commercial Site, per Development Unit Parcel, per parcel of Unsubdivided Land or per Public or Commercial Unit for any portion of the Properties located South of the northern boundary of the right-of-way for North Carolina Highway 54. Such annual assessment shall also be automatically increased by the inflation adjuster as set forth in Section 3(a) of this Article and may also be increased as otherwise set forth above.

References to Parcels are found on the map and survey of the John R. McAdams Company dated November 5, 1997 described as Meadowmont Durham/Orange County, North Carolina Parcel Exhibit.

(b) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Residential Lot until the first day of the quarter of the year following after all of the following have occurred:

- (1) Recording of a Plat in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina, showing such Residential Lot;
- (2) Approval by the Office of Interstate Land Sales Registration or successor agencies permitting such Residential Lot to be offered for sale in those cases where registration is required by law.
- (3) The Lot has been placed on an "Inventory List" of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer or the Developer's Affiliates in those cases where the Lot is owned by the Company, the Company's Affiliates, the Developer or the Developer's Affiliates.
- (4) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as a Residential Lot in those cases where the Lot is owned by any third party other than the Company, the Company's Affiliates, the Developer or the Developer's Affiliates.

A Residential Lot shall be deemed to be unimproved and shall not be deemed a Family Dwelling Unit until such time as a building permit has been issued for said property by the appropriate governmental authorities.

(c) "Inventory List" as used in these Covenants shall mean and refer to a listing of those Residential Lots owned by the Company, the Company's Affiliates, the Developer or the Developer's Affiliates which are available for sale to the purchasers, and which listing is submitted to the Association. The Company reserves for itself, its Affiliates, the Developer and the Developer's Affiliates the right to make additions and deletions from this listing one (1) day prior to the commencement of each quarter.

(d) Property shall not be classified for the purposes of these Covenants and these Annual Assessments as a Multiple-Family Tract until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property for Multiple-Family use is recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina; provided, however, that any property within said parcel of land which also qualifies as an Exempt Property as defined in Section 12 of this Article V shall not be deemed part of said Multiple-Family Tract for the purposes of calculating Assessments or votes. A Multiple-Family Tract, or portions of said Multiple-Family Tract, shall be deemed to be unimproved until a building permit has been issued for the improvements being constructed thereon.

In those cases where the improvements intended on a Multiple-Family Tract include more than one building or structure containing Attached Residential Units, each building or structure shall be deemed to be unimproved until a Certificate of Occupancy has been issued for the building or structure at which time each and every Attached Residential Unit within said building or structure shall be deemed a Family Dwelling Unit for the purpose of Assessments, and, in addition, the remaining number of acres to be assessed as a Multiple-Family Tract shall be calculated by (a) dividing (i) the number of Family Dwelling Units on the property by (ii) the maximum number of Family Dwelling Units authorized by the Company in the original Multiple-Family Tract, and (b) then multiplying the resulting quotient by the total number of acres in the original Multiple-Family Tract.

At such time as all Attached Residential Units intended for development on a Multiple-Family Tract have been classified as Family Dwelling Units, and the Owner of said Multiple-Family Tract is able to warrant to the satisfaction of the Board of Directors that (i) no further development of Attached Residential Units shall take place upon said Tract, and (ii) any remaining unimproved acres within said Tract shall not be sold to any other third party for the further development of Attached Residential Units, such Owner may apply to the Board of Directors for the release of any remaining unimproved acres within said Tract from the classification of a Multiple-Family Tract, and the Board of Directors may, in its sole and uncontrolled discretion, grant such release.

(e) Property shall not be classified for the purposes of these Covenants and these Annual Assessments as a Public or Commercial Site until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Public or Commercial Site is recorded in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina; provided, however, that any property within said parcel of land, which also qualifies as an Exempt Property as defined in Section 12 of this Article V, shall not be deemed part of said Public or Commercial Site for the purposes of calculating Assessments or votes. A Public or Commercial Site, or portions of said Site, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties.

In those cases where the improvements intended on a Public or Commercial Site include more than one building, structure or phase or group of improved units, each building, structure or phase or group of units shall be deemed to be unimproved until the building, structure or phase or group of units is sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of directors, as improved properties, at which time each and every improved unit within said building, structure or phase or group of units shall be deemed a Public or Commercial Unit or a Family Dwelling Unit for the purpose of Assessments, and in addition, the remaining number of acres to be assessed as a Public or Commercial Site shall be calculated by subtracting (i) the number of acres within the Site upon which Public or Commercial Units and Family Dwelling Units have actually been developed from (ii) the total number of acres in the original Public or Commercial Site.

At such time as all public or commercial buildings and facilities and all residential dwelling units intended for development on a Public or Commercial Site have been classified as Public or Commercial Units or Family Dwelling Units, and the Owner of said Public or Commercial Site is able to warrant to the satisfaction of the Board of Directors that (i) no further development of Public or Commercial Units or Family Dwelling Units shall take place on said Site, and (ii) any remaining unimproved acres within said Site shall not be sold to any other third

party for further development of Public or Commercial Units or Family Dwelling Units, then said owner may apply to the Board of Directors for the release of any remaining acres in said Site from the classification of a Public or Commercial Site, and the Board of Directors may, in its sole and uncontrolled discretion, grant such release.

(f) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Family Dwelling Unit until (i) the improvements being constructed on a Multiple-Family Tract or Public or Commercial Site are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in subparagraphs (d) and (e) hereinabove, or (ii) a building permit has been issued by the appropriate governmental authorities for a property formerly deemed a Residential Lot as defined in subparagraph (b) hereinabove.

(g) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Public or Commercial Unit until the improvements being constructed on a Public or Commercial site are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in subparagraph (e) hereinabove.

(h) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Development Unit Parcel until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Development Unit Parcel is recorded in the Office of the Register of Deeds in Orange and Durham Counties, North Carolina; provided, however, that any property within said parcel of land which also qualifies as an Exempt Property, as defined in Section 12 of this Article V, shall not be deemed part of said Development Unit Parcel for the purpose of calculating Assessments or votes. At such time as a Development Unit Parcel, or a portion of said Development Unit Parcel, is further subdivided and classifiable as a Residential Lot or Lots, Multiple-Family Tract or Public or Commercial Site, said property, or such portion of said property, shall then be classified as a Residential Lot or Lots, Multiple-Family Tract or Public or Commercial Site, and in addition, the remaining number of acres to be assessed as a Development Unit Parcel shall be calculated by subtracting (i) the number acres within the property which have been classified as a Residential Lot or Lots, Multiple-Family Tract or Public or Commercial Site from (ii) the total number of acres within the original Development Unit Parcel.

(i) For purposes of these Covenants and these Annual Assessments, all properties which have not been subdivided into and classified as Residential Lots, Multiple-Family Tracts, Public or Commercial Sites or Development Unit Parcels shall be classified as Unsubdivided Land; provided, however, that Unsubdivided land shall not include any property which also qualifies as Exempt Property as defined in Section 12 of this Article V.

(j) Assessments shall be billed annually, quarterly, monthly or on such other basis as may be determined by the Board of Directors. The billing schedule shall be the same for all properties of a specified category; however, the Board of Directors, in its discretion, may establish different schedules for the billing of Assessments due from different categories of property. All Assessment bills shall be due and payable ninety (90), thirty (30) or fifteen (15) days from the date of mailing of same as determined by the Board of Directors; provided, however, that if the Board of Directors elects to utilize a Billing Agent, the Billing Agent shall set the date on which Assessment bills shall be due and payable.

(k) The Board of Directors may authorize a Billing Agent to collect the Assessments provided for herein.

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

(m) The Board of Directors shall determine the square footage of floor space to be assessed by the Association for each Public or Commercial Unit.

(n) Changes during an Assessment year in square footage of floor space to be assessed by the Association for a Public or Commercial Unit shall be reflected in the billing for the remaining full quarters of the Assessment year.

(o) Except as provided herein from and after January 1, 1998, the Maximum Regular Annual Assessment shall be automatically increased each year by an amount of five (5%) percent per year over the previous year, or the percentage increase between the first and last months of the thirteen (13) month period terminating at the end of the third (3rd) quarter of the previous Assessment year in the Consumer Price Index, U.S. City Average, All Items (1967-100) (hereinafter "C.P.I.") issued by the U.S. Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas", whichever of these two percentage figures is larger. If the C.P.I. is discontinued, then there shall be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living.

(p) Any increase in the Maximum Regular Annual Assessment shall be made in such a manner that the proportionate increase in such Assessment is the same for Owners of Residential Lots, Family Dwelling Units, Multiple-Family Tracts, Public or Commercial Sites, Public or Commercial Units, Development Unit Parcels, or Unsubdivided Land. Any time the actual Assessment levied by the Board of directors of the Association is less than the Maximum Regular Annual Assessment, such decrease shall be proportionate among the Owners of Residential Lots, Family Dwelling Units, Multiple-Family Tracts, Public or Commercial Sites, Public or Commercial Units, Development Unit Parcels, and Unsubdivided Land. The decrease or increase received by each class of Owners of the various classes of property may be made disproportionately by the favorable vote of seventy-five (75%) percent of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, and by the favorable vote of seventy-five percent (75%) of the votes cast at said meeting by the Members of the classes whose proportionate share is being raised. In no event, however, shall there be a disproportionate increase in the Maximum Regular Annual Assessment for Family Dwelling Units in Apartment Parcel A unless such increase has been approved by the favorable vote of all one hundred percent (100%) of the votes cast at said meeting by the votes attributable to Family Dwelling Units located in Apartment Parcel A and there shall be no disproportionate increase in the Maximum Regulatory Annual Assessment for the Office Tract located South of North Carolina Highway 54 unless approved by the Owner(s) of said parcel.

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

(a) Construction, reconstruction, repair or replacement of capital improvements upon the Common Properties, Restricted Common Properties, Intended Common Properties or

Intended Restricted Common Properties, including the necessary fixtures and personal property related thereto.

- (b) For additions to the Common Properties or Restricted Common Properties.
- (c) To provide for the necessary facilities and equipment to offer the services authorized herein.
- (d) To repay any loan made to the Association to enable it to perform the duties and functions authorized herein.
- (e) Such Special Assessment, before being charged, must have received the approval of the Members of the Association by the favorable vote of fifty-one percent (51%) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(a). The notice of such meeting shall include one (1) statement from those Directors favoring the Special Assessment and one (1) statement from those Directors opposing the Special Assessment, containing the reasons for those Directors' support and opposition for the Assessment. Neither statement shall exceed five (5) pages in length.

This provision shall be interpreted to mean that the Association may make in any one (1) year an Annual Assessment up to the maximum set forth in Section 3 of this Article V, plus an additional Special Assessment. Such Special Assessment in any one (1) year may not exceed a sum equal to the amount of the Maximum Regular Annual Assessment for such year except for emergency or repairs required as a result of storm, fire, natural disaster or other casualty loss. The fact that the Association has made an Annual Assessment for an amount up to the Maximum Regular Annual Assessment shall not affect its right to make a Special Assessment during the year.

The proportion of each Special Assessment to be paid by the Owners of the Various classifications of assessable property shall be equal to the proportion of the Annual Assessments levied for the Assessment year during which such Special Assessments are approved by the Members; provided, however, that no Special Assessment shall be levied against the Office Tract located South of North Carolina Highway 54.

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

- (a) Major rehabilitation or major repairs;
- (b) For emergency and other repairs required as a result of storm, fire, natural disaster or other casualty loss; and
- (c) Initial costs of any new service to be performed by the Association.

Section 6. Special Assessments for Neighborhood Areas. With the exception of the Office Tract located South of North Carolina Highway 54, on petition of seventy-five percent (75%) of all Owners within a particular Neighborhood Area, or contiguous Neighborhood Areas as such may be designated on a recorded subdivision plat, the Board of Directors of the Association may levy a Special Assessment applicable only to each Owner within the immediate Neighborhood Area or Areas to undertake special neighborhood improvements, neighborhood rehabilitation or construction, special neighborhood security and neighborhood maintenance. If

such Special Assessment be proposed by the Board of Directors of the Association rather than by petition as provided for hereinabove, then such proposal shall be submitted to a Referendum of all Owners within the particular Neighborhood Area or Areas, and such Special Assessment shall be levied upon each such Owner only upon a favorable response to said Referendum, as shall be indicated by not less than seventy-five percent (75%) of the votes entitled to be cast voting in favor of such Special Assessment.

In the event of election by the Members of a Neighborhood Area to be assessed by the Association for special improvements, construction, security or maintenance, the Association shall be authorized to borrow money to fund such special improvements, construction, security or maintenance and to repay any such loan with the receipts from the special Assessment authorized therefor.

Section 7. Change in Maximum Amounts of Annual Assessments Upon Merger or Consolidation. The limitations of Section 3 hereof shall apply to any merger or consolidation in which the Association is authorized to participate under Article II, Section 2, hereof, and under the By-Laws of the Association.

Section 8. Date of Commencement of Annual Assessments, Due Date. Notwithstanding anything in the foregoing to the contrary, the Annual Assessments provided for herein shall commence no earlier than January 1, 1999, but not later than January 1, 2000.

Section 9. Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of the Annual Assessment against each Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel or Unsubdivided Land, within the Assessment Schedule as provided hereinabove, and shall, at that time, direct the preparation of an index of the Properties and Annual Assessments applicable thereto, and any Special Assessments applicable thereto, which shall be kept in the office of the Association and which shall be open to inspection by any Member. Written notice of Assessment shall thereupon be sent to every Member subject thereto.

The Association shall upon demand at any time furnish to any Owner liable for said Assessments a certificate in writing signed by an Officer of the Association, setting forth whether said Assessments have been paid. Such certificate shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid. If the Board of Directors authorizes a Billing Agent to collect Assessments, the Certificate of the said Billing Agent shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid.

Section 10. Effect of Nonpayment of Assessment: The Personal Obligation of the Owner; the Lien; Remedies of Association. If the Annual Assessment or any Special Assessment is not paid on or before the past due date specified in Section 3(j) hereof, then such Assessment shall become delinquent and shall (together with interest thereon at the maximum annual rate permitted by law from the due date and cost of collection thereof including a reasonable attorney's fee as hereinafter provided) become a charge and continuing lien on the land and all improvements thereof, against which each such Assessment is made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns. Additionally the Board of Directors may impose the maximum late charge on any unpaid sum allowed by law.

If the Assessment is not paid within thirty (30) days after the past due date, the Association may bring an action at law against the Owner personally and there shall be added to

the amount of such Assessment the costs of preparing the filing of the Complaint in such action and a reasonable attorney's fee, and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and a reasonable attorney's fee together with the costs of the action. The lien of the assessment shall be as of the due date of the assessment.

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

Section 11. Subordination of the Lien. The Lien of the Assessments provided for herein shall be subordinate to the lien of any first deed of trust now or hereafter placed upon any properties subject to Assessment, and in addition, shall be subordinate to the lien of the Cost of Corrective Action provided for in the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont now or hereafter placed upon any properties subject to Assessment. In the event a creditor acquires title to any property subject to Assessment pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, said creditor shall be subject to Assessments accruing after such acquisition.

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

(a) All lands designated on the Master Plan for intended use, or by actual use if applicable, for (i) indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, the Association and any other Homeowners Association organized by the Company or by others with the consent of the Company within the Properties if such Homeowners Association operates such facilities for the private use of its members or the Members of the Association, including, but not limited to, marinas, tennis courts, platform tennis courts, handball courts, squash courts, basketball courts, swimming pools, gymnasiums, golf courses, ice skating rinks, and any showers, locker rooms or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, parks, horseback riding stables, riding arenas, riding trails, walking trails, boardwalks, decks, boating facilities and marinas, boat rental facilities, boat and trailer storage facilities, fishing facilities, fishing facilities and beach facilities, bicycle rental facilities, operating farms and/or animal pastures, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associated with all such uses; and (ii) places of worship; libraries; fire stations and rescue squads; post offices, day care centers, nursery schools, and other schools and instructional centers; nonprofit or charitable community, civil, or cultural clubs and institutions; and other similar community facilities which the Board of Directors, in its sole and uncontrolled discretion, may designate as Exempt Properties.

(b) All lands and any improvements thereon designated in any way as Common Properties or Restricted Common Properties.

(c) All lands and any improvements thereon committed to the Association through express written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Properties and Intended Restricted Common Properties.

(d) All lands designated on the Master Plan or on recorded plats as Open Space ("Open Space Areas") or Private Open Space ("Private Open Space Areas") as defined in the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont and any improvements thereon which are defined in Paragraph (a) of this Section 12.

(e) Property which is used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, Intended Restricted Common Properties and facilities within Open Space Areas which are defined in paragraph (a) of this Section 12.

(f) Property which is used for the maintenance, operation and service of utilities within the Properties.

(g) The grantee in conveyances made for the purpose of granting utility easements.

(h) All lands within the waters or the ponds shown on the Master Plan and contributory creeks and streams.

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

Section 14. Annual Budget. The Board of Directors shall prepare and adopt, at least sixty (60) days prior to the Annual Meeting of the Association, a proposed budget outlining anticipated receipts and expenses for the upcoming fiscal year. Within thirty (30) days after adoption of the proposed budget, the Board of Directors shall send to all Owners a written summary of the budget which may be sent together with the notice of the Annual Meeting. The summary of the budget or the notice of meeting, if sent together therewith, shall include a statement that the budget may be ratified without a quorum. The Annual Meeting shall be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. For purposes of the ratification of the budget, there shall be no requirement that a quorum be present at the meeting. The proposed budget shall be ratified unless at that meeting a majority of all of the Owners rejects the proposed budget. In the event the proposed budget is rejected, the periodic budget last ratified, or otherwise then in effect, shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors. The financial books of the Association shall be available for inspection by all Members at all reasonable times.

Section 15. Working Capital Fund. At the time of closing of the sale of each unit or Residential Lot, a sum equal to at least two (2) months assessment for each unit shall be collected and transferred to the Association as a contribution to the reserve funds described in

section 5 of this Article V. The purpose of said fund is to insure that the Association Board will have adequate cash available to meet unforeseen expenses and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund shall not be considered advance payment of regular assessments.

ARTICLE VI FUNCTIONS OF ASSOCIATION

Section 1. Ownership and Maintenance of Properties. The Association shall be authorized to own and/or maintain Common Properties, Restricted Common Properties, Intended Common Properties, Intended Restricted Common Properties, equipment, furnishings and improvements devoted to the following uses:

- (a) For roads, roadways, roadway medians and parkways along said roads or roadways, cul-de-sac islands, and neighborhood or other area entrances throughout the Properties;
- (b) For sidewalks, walking paths or trails, bicycle paths and bridle paths through the Properties;
- (c) For transportation facilities throughout the Properties;
- (d) For security and fire protection services including security stations, guardhouses, police equipment, fire stations and fire fighting equipment, and buildings used in maintenance functions;
- (e) For emergency health care including ambulances, rescue squad facilities, emergency care medical facilities and the equipment necessary to operate such facilities;
- (f) For providing any of the services which the Association is authorized to offer under Section 2 of this Article VI;
- (g) For purposes set out in deeds by which Common Properties and Restricted Common Properties are conveyed to the Association, provided that such purposes shall be approved by the Members of the Association as set out in Section 4 of this Article VI;
- (h) For indoor and outdoor recreational and community facilities, including, but not limited to, marinas, tennis courts, platform tennis courts, handball courts, squash courts, basketball courts, swimming pools, gymnasiums, golf courses, ice skating rinks, and any showers, locker rooms, or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, parks, horseback riding stables, riding arenas, riding trails, walking trails, bike trails, boardwalks, decks, bicycle rental facilities, operating farms and/or animal pastures, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associated with all such uses; and
- (i) For water and sewage facilities (including without limitation stormwater management facilities) and any other utilities, if not adequately provided by a private utility, County or City.

The Association shall also be authorized to borrow funds from the Company or other lenders to fund the provision for services (described below) and repay such loans through future annual assessments.

In addition to the above, the Association shall be responsible to maintain landscaping and improvements within and adjoining public dedicated rights of way in Meadowmont such as landscape islands, special landscape paving, landscaping adjacent to roads and signage and shall also be responsible for any “add-on fees” charged by Duke Power Company for street lighting.

Section 2. Services. Except with regard to the Office Tract located South of North Carolina Highway 54, the Association shall be authorized (unless prohibited by local, state or federal laws or regulations) but not required, except as specified in Section 3 of this Article VI, to provide the following services:

(a) Cleaning and maintenance of all roads, roadways, roadway medians, parkways, cul-de-sac islands, neighborhood and other area entrances, lakes, parks, sidewalks, walking trails, bike trails, Common Properties, Restricted Common Properties, Intended Common Properties, Intended Restricted Common Properties, Open Space Areas, and Private Open Space Areas within the Properties, and also all public properties which are located within or in a reasonable proximity to the Properties such that their deterioration would affect the appearance of the Properties as a whole;

(b) Landscaping and beautification of roads, roadways roadway medians, parkways, cul-de-sac islands, neighborhood and other area entrances, lakes, parks, sidewalks, walking paths, bike trails, Common Properties, Restricted Common Properties, Intended Common Properties, Intended Restricted Common Properties, Open Space Areas and Private Open Space Areas.

(c) Transportation facilities other than privately owned automobiles, e.g., buses, electric vehicles, ferry boats, etc..

(d) Lighting of roads, sidewalks, walking paths, bike trails, parking lots, and any recreational and community facilities located within the properties.

(e) Police protection and security, including, but not limited to the employment of police and security guards, maintenance of electronic and other security devices and control centers for the protection of persons and property within the Existing Property, and assistance in the apprehension and prosecution of persons who violate the laws or regulations of the State of North Carolina, the Counties of Orange and Durham, Town of Chapel Hill, or the United States of America within the Properties.

(f) Fire protection and prevention.

(g) Garbage and trash collection and disposal.

(h) Insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors of the Association to supplement the service provided by the state and local governments.

(i) The services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this document.

(j) To take any and all actions necessary to enforce all Covenants and Restrictions affecting the Properties and to perform any of the functions or services delegated to the Association in any Covenants or Restrictions applicable to the Properties.

(k) To set up and operate an Architectural Review Board for all Common Properties or Restricted Common Properties, and in the event that the Association is designated by the Company as the agent or the assign of the Company for such purposes, to extend the operation of the Architectural Review Board to all properties within Meadowmont.

(l) To provide day care and child care services.

(m) To conduct instructional, recreational, sports, crafts, social and cultural programs of interest to Members, their families and guests.

(n) To provide legal and scientific resources for the improvement of air and water quality within the Properties.

(o) To provide safety equipment for storm emergencies.

(p) To support the operation of transportation services between key points of the Properties and the airports, other public transportation terminals and public centers serving the area surrounding the Properties.

(q) To construct improvements (other than improvements required of Company by the Town of Chapel Hill on Common Properties, Restricted Common Properties, Intended Common Properties or Intended Restricted Common Properties for use for any of the purposes authorized in this Article, or as may be required to provide any of the services authorized in this Article.

(r) To provide administrative services, including, but not limited to, legal, accounting and financial; and communication services, including, but not limited to, community newsletters and newspapers to inform Members of activities, notices of meetings, referendums, and other issues and events of community interest.

(s) To provide insurance covering improvements and activities on the Common Properties and Restricted Common Properties other than what is required herein.

(t) To provide water, sewage, and any necessary utility services not provided by a public body, private utility or the Company.

(u) To provide, conduct or maintain water pollution and shoreline erosion abatement measures including, without limitation, maintenance and repair of shore revetments and groins.

(v) To construct mailboxes, signs and other standard features for use throughout the Properties.

(w) To provide any or all of the above listed services to another association of Owners of real property under a Contract, the terms of which must be approved by the Board of Directors.

(x) Improvement of fishing available to members in Meadowmont.

(y) To maintain water search and rescue boats for the protection and safety of those in waters located on or adjacent to the properties, and to provide boating marinas, moorings, cradles, other boat storage facilities and boat rental services to members, their families and guests.

(z) Be responsible for arranging for annual inspections of all ponds by an appropriately certified engineer, to determine whether the ponds and associated structures are operating acceptably according to design requirements, and to report findings of said inspections to the Chapel Hill Town Manager, with such recommendations for maintenance or repair as may be warranted. Any needed repairs shall be completed within 120 days unless otherwise approved by the Town Manager. A maintenance plan shall be provided for each of the retention ponds, to be approved by the Town Manager. The plans shall address inspection, maintenance intervals, type of equipment required, access to each pond, and related matters.

Notwithstanding the foregoing, the Owner of the Office Tract located South of North Carolina Highway 54 shall be responsible for all such responsibilities and maintenance plans with regard to the ponds and associated structures located on that parcel and all owner(s) of any parcels on which ponds are located shall be responsible for all such responsibilities and maintenance plans with regard to the ponds and associated structures located on said parcels until said parcels become Common Properties and/or Restricted Common Properties.

Section 3. Minimum List of Functions and Services. The "Minimum List of Functions and Services" shall establish and defined the minimum level of functions and services which the Association must furnish to its Members. The "Minimum List of Functions and Services" is as follows:

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

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

- (1) The Association shall set Assessments, levy cash Assessments, notify the Members of such Assessments and collect such Assessments;
- (2) The Association shall prepare accurate indexes of Members, Property Classifications, Votes, Assessments, the Cumulative Maximum Number of Residential Lots and Family Dwelling Units Authorized in the Properties and the Maximum Regular Annual Assessment;
- (3) The Association shall operate an Architectural Review Board;

- (4) The Association shall maintain and operate all Common Properties and Restricted Common Properties (including without limitation the ponds and associated structures classified as Common Properties or Restricted Common Properties);
- (5) The Association shall hold Annual Meetings, Special Meetings and Referendums as required, hold elections for the Board of Directors as required and give Members "proper notice" as required; and
- (6) The Association shall prepare Annual Statements and Annual Budgets and shall make the financial books of the Association available for inspection by Members at all reasonable times.

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

(d) Should the Company assign to the Association any of the rights reserved unto it in the General Property Covenants or any other covenants and restrictions of record, the Association shall assume the responsibility of administering and enforcing said rights and shall assume any obligations which are incident thereto.

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

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

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

(h) The Association shall provide regular and thorough cleanup of all roads, roadways, roadway medians, parkways, cul-de-sac islands, neighborhood and other entrances, and bike trails throughout the Properties, including, but not limited to, removal of unsafe, damaged or dead landscape materials, mowing grass on all roadsides, cul-de-sac islands, entrances, and bike trails; sweeping all roads and bike trails; landscape maintenance on all roadsides, cul-de-sac islands, entrances, and bike trails; pickup and disposal of trash on all roads, roadsides, cul-de-sac islands, entrances, and bike trails. Such cleanup as is possible shall begin within an individual residential neighborhood as soon as construction of dwellings has commenced within said neighborhood. Notwithstanding the foregoing, none of the services set out in this paragraph (h) shall be provided to the Office Tract located South of North Carolina Highway 54 and all private roads and roadways located on Apartment Parcel A and Parcel 1 Village Center Site shall be maintained by the Owner(s) of such parcels.

(i) The Association shall provide general maintenance of all directional signs, bike trail signs, and neighborhood and other area signs, including, but not limited to, painting, repair work and replacement as needed. Notwithstanding the foregoing, none of the services set out in this paragraph (i) shall be provided to the Office Tract located South of North Carolina Highway 54.

(j) The Association shall repave all bike trails as needed. Notwithstanding the foregoing, none of the services set out in this paragraph (j) shall be provided to the Office Tract located South of North Carolina Highway 54.

(k) The Association shall operate and maintain all streetlights along all public roads and within all Common Properties and Restricted Common Properties.

(l) The Association shall provide regular and thorough maintenance and cleanup of all Common Properties, Restricted Common Properties, Intended Common Properties and Intended Restricted Common Properties, including, but not limited to, mowing of grass, fertilization as needed, landscape maintenance as needed, pickup and disposal of trash, washing down of picnic tables and benches as needed, painting, repairs to and replacement of all improvements as needed and, to the extent not provided by a governmental entity or utility, general maintenance of stormwater management facilities.

(m) Insurance coverage on the Property shall be governed by the following provisions:

- (1) Ownership of Policies. All insurance policies upon the Common Property shall be purchased by the Association for the benefit of all the Association and the Owners, and their security interest may appear and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of Owners. All such policies shall provide that: (i) each Owner is an insured person under the policy to the extent of the Owner's insurable interest; (ii) the insurer waives its right to subrogation under the policy against any owner or member of the Owner's household; (iii) no act or omission by any Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and (iv) 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. In the event such insurance is not reasonably available, the Association promptly shall cause notice of that fact to be sent to the Owners.
- (2) Coverage. All buildings and improvements upon the land and all personal property included in the Common Areas and facilities shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:
 - (i) Loss or damage by fire and other hazards covered by standard extended coverage endorsement;
 - (ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land; and
 - (iii) Such policies shall contain clauses providing for waiver of subrogation.

- (3) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to a single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary.
- (4) Premiums. Premiums for insurance policies purchased by the Association shall be paid by Association and charged to the Owners as an assessment according to the provisions of Article V above; provided that premiums on account of hazard insurance coverage for individual Lots shall be apportioned to the individual Owners according to the amounts of the coverage required.
- (5) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the owners and their mortgagees as their interest may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustees under this Declaration. The sole duty of the Association as insurance trustees shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein or stated in the By-Laws and for the benefit of the Owners and their mortgagees in the following shares:
 - (i) Proceeds on account of damage to Common Areas and facilities held for the Association.
- (6) Proceeds of insurance policies received by the Association as insurance trustee shall be placed in the Association's treasury for the following:
 - (i) Expense of the Trust. All expenses of the insurance trustees shall be first paid or provisions made therefor.
 - (ii) Reconstruction or Repair. The remaining proceeds shall be paid to defray the cost of repairs. Any proceeds remaining after defraying such cost shall be retained by the Association.
- (7) All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association or those held in trust, shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments plus reserves accumulated.
- (8) Notwithstanding any provision in the foregoing to the contrary, any portion of the planned community for which insurance is required which is damaged or destroyed shall be repaired or replaced promptly by the Association or the proceeds otherwise expended in accordance with Section 47-E-3-113(g) of the North Carolina General Statutes.
- (n) To pay any and all ad valorem taxes or public assessments on the Common Properties or Restricted Common Properties.

Section 4. Obligation of the Association. The Association shall not be obligated to carry out or offer any of the functions and services specified by the provisions of this Article except as specified in Section 3 of this Article VI. The functions and services to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association taking into consideration the funds available to the Association and the needs of the members of the Association. The functions and services which the Association is authorized to carry out or to provide may be added or reduced, except for the services provided in Section 3 of this Article, at any time upon the affirmative vote of fifty-one percent (51%) of the votes cast by the Type "A," Type "B" and Type "C" Members at a duly called meeting of the Association; provided, however, that for the deletion of service to Type "D" Members, such Members shall also be entitled to vote.

Section 5. Mortgage and Pledge. The Board of Directors of the Association shall have the power and authority to mortgage the property of the Association and to pledge the revenues of the Association as security for loans made to the Association which loans shall be used by the Association in performing its authorized functions and services; provided that any such mortgage is with the prior consent of eighty percent (80%) of the Members of the Association, which consent may be evidenced by petition or by an affirmative vote of eighty percent (80%) of the Association. The Company may, but shall not be required, to make loans to the Association, subject to approval by the Company of the use to which such loan proceeds will be put and the terms pursuant to which such loans will be repaid. Notwithstanding anything in this Declaration to the contrary, the Association shall not be allowed to reduce the level of the Annual Assessment below the limit of the Maximum Regular Annual Assessment at any time there are outstanding any amounts due the Company as repayment of any loans made by the Company to the Association without the express written consent of the Company. Reference is also made to Article IV, Section 4, herein.

Section 6. Maintenance of Property Not Owned by the Association. The Association shall be authorized to render services of a governmental nature not furnished by the local government in the case of maintenance of property not owned by it.

ARTICLE VII ARCHITECTURAL CONTROL AND THE GENERAL PROPERTY COVENANTS

Section 1. Architectural Review of Common Properties and Restricted Common Properties. No building, wall, fence, swimming pool or other structure shall be commenced, erected or maintained upon the Common Properties or Restricted Common Properties, nor shall any landscaping be done, nor shall any exterior addition to any existing structure or change or alteration therein be made until the plans and specifications therefore showing the structure, kind, shape, height, materials, colors and location of the same shall have been submitted to and approved in writing as to the harmony and compatibility of its external design and location with the surrounding structures and topography by the Architectural review Board of the Association and by the Company pursuant to the provisions of the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont.

The Architectural Review Board shall be composed of at least three (3) but not more than eleven (11) Members, all of whom shall be appointed by the Board of Directors of the Association. At least one (1) Member of the Association other than the Company shall be a Member of the Architectural Review Board at all times. The Architectural Review Board shall have no jurisdiction over matters reserved to the Company herein or in the Declaration of Rights,

Restrictions, Affirmative Obligations and Covenants applicable to all property in Meadowmont except as may be delegated to it in writing by the Company.

Section 2. The General Property Covenants. Pursuant to the provisions of the Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont (the "General Property Covenants"), the Company reserves unto itself, its successors and assigns the right to appoint the Association its agent for the purpose of administering and enforcing, in whole or in part, the rights reserved unto the Company in said General Property Covenants, including, but not limited to, the right to approve (or disapprove) plans, specifications, color, finish, plot plan, land management plan and construction schedules for any or all buildings or structures to be erected within any or all of the properties subject to said General Property Covenants. Such appointments may be temporary or permanent, and shall be subject to any conditions, limitations or restrictions which the Company, in its sole and uncontrolled discretion, may elect to impose. Upon any such appointment of the Association as agent by the Company, the Association shall assume any obligations which are incident thereto.

In addition to the foregoing, the Company reserves unto itself, its successors and assigns the right to assign in whole or in part to the Association its rights reserved in the General Property Covenants to grant approvals (or disapprovals), to establish rules and regulations, to administer and enforce the provisions of said General Property Covenants and any or all other rights reserved therein by the Company. The assignment of such rights shall be subject to any conditions, limitations or restrictions which the Company, in its sole and uncontrolled discretion, may elect to impose at the time of assignment. Following the assignment of such rights, the Association shall assume all of the Company's obligations which are incident thereto (if any), and the Company shall have no further obligation or liability with respect thereto. The assignment of such right or rights by the Company to the Association shall be made by written instrument which shall be recorded in the office of the Register of Deeds of Orange and Durham Counties, North Carolina.

Notwithstanding anything in the foregoing to the contrary, so long as the Company, its successors and assigns is the owner of property subject to the provisions of the General Property Covenants, the Company, in addition to and jointly with the Association, shall retain all rights of easement reserved unto it in said General Property Covenants, and shall, furthermore, retain all rights of entry granted unto it in said General Property Covenants for the purposes of correcting, repairing, enhancing, improving, cleaning, preserving, clearing out, removing or taking any action to prevent a violation of said General Property Covenants, and the retention of said rights of easement and entry by the Company shall in no way create any obligation on the part of the Company to perform any affirmative action.

ARTICLE VIII
GENERAL PROVISIONS

Section 1. Duration. The Covenants and Restrictions of this Declaration and any Amendments thereto shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Company or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns; provided, however, that this Declaration shall be terminated if eighty percent (80%) or more of the total votes entitled to be cast by all the Members of the Association shall vote in favor of terminating this Declaration at a duly called meeting of the Owners of the Properties. It shall be required that written notice of any meeting at which such a proposal to terminate this Declaration is to be considered, setting forth the fact that such a proposal will be considered, shall be given each member at least thirty (30) days in advance of said meeting. In the event that the Members of the Association vote to terminate this Declaration, the President and Secretary of the Association shall execute a certificate which shall set forth the Resolution of Termination adopted by the Association, the date of the meeting of the Association at which such Resolution was adopted, the date that Notice of such Meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes necessary to adopt a Resolution terminating this Declaration, the total number of votes cast in favor of such Resolution and the total number of votes cast against such Resolution. Said certificate shall be recorded in the Office of the Register of Deeds, Orange and Durham Counties, North Carolina, and may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

Section 2. Amendments. All proposed Amendments to this Declaration shall be submitted to a vote of the Members at a duly called meeting of the Association subject to the quorum requirements established by Article III, Section 6(a), and any such proposed amendment shall be deemed approved if sixty-seven percent (67%) of the votes cast at such meeting vote in favor of such proposed amendment; provided, however, that if any such Amendment directly effects it, notice shall be given each Member at least thirty (30) days prior to the date of the meeting at which such proposed amendment is to be considered. If any proposed amendment to this Declaration is approved by the members as set forth above, the President and Secretary of the Association shall execute an Addendum to this Declaration which shall set forth the Amendment, the effective date of the Amendment (which in no event shall be less than sixty (60) days after the date of the meeting of the Association at which such Amendment was adopted), the date of the meeting of the Association at which such Amendment was adopted, the date that notice of such meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes cast for and against the Amendment, the number of votes necessary to adopt the Amendment, the total number of votes cast in favor of such Amendment and the total number of votes cast against the Amendment. Such Addendum shall be recorded in the Office of the Register of Deeds, Orange and Durham Counties, North Carolina.

So long as the Company, as the Type "E" Member, is entitled to elect a majority of the Members of the Board of Directors of the Association, no Amendment of this Declaration shall be made without the consent of the Company; and until the end of the period of development no Amendment of this Declaration shall be made without the consent of the Company which would have the affect of creating a disproportionate increase in the Maximum Regular Annual Assessment, the actual assessment levied or any Special Assessment of any Class of Owners.

No such Amendment shall be made without the consent of the Owner of Apartment Parcel A which would have the effect of creating a disproportionate increase in the Maximum Regular Annual Assessment, the actual assessment levied or any Special Assessment of Apartment Parcel A or the Owner of Apartment Parcel A, further, so long as any Family Dwelling Unit is encumbered by a FHA/VA insured mortgage, no such amendment shall be made without the prior written approval of HUD or its successor agency.

Any such amendment is subject to the prior approval of the Chapel Hill Town Attorney or his deputy.

Section 3. Notices. Any notice required to be sent to any Member under the provisions of this Declaration shall be deemed to have been properly sent and notice thereby given when delivered personally or sent by mail with the proper postage affixed to the address appearing on the Association's Membership list. Notice to one (1) or two (2) or more co-owners or co-tenants of a Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel or Unsubdivided Land shall constitute notice to all co-owners. It shall be the obligation of every member to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes a Member following the first day in the calendar month in which said notice is delivered or mailed shall be deemed to have been given notice if notice was given to his predecessor in title.

Section 4. Enforcement. Enforcement of these Covenants and Restrictions shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate or circumvent any Covenant or Restriction, either to restrain violation or to recover damages, and against the land and to enforce any lien created by these Covenants; and failure by the Association or any Member or the Company to enforce any Covenant or Restriction herein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to enforce same thereafter.

Section 5. Severability. Should any Covenant or Restriction herein contained, or any Article, Section, Subsection, sentence, clause, phrase or item of this Declaration be declared to be void, invalid, illegal or unenforceable for any reason by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way effect the other provisions hereof which are hereby declared to be severable and which shall remain in full force and effect.

Section 6. Interpretation. The Board of Directors of the Association shall have the right to determine all questions arising in connection with this Declaration of Covenants and Restrictions and to construe and interpret its provisions and its determination, construction or interpretation shall be final and binding. In all cases, the provisions of this Declaration of Covenants and Restrictions shall be given that interpretation or construction that will best tend toward the consummation of the general plan of improvements.

Section 7. Authorized Action. All actions which the Association is allowed to take under this instrument shall be authorized actions of the Association if approved by the Board of Directors of the Association in the manner provided for in the By-Laws of the Association, unless the terms of this instrument provide otherwise.

Section 8. Other Agreements. Notwithstanding anything contained herein to the contrary, all the provisions of these Covenants shall be subject to and conform with the provisions of:

(a) The Zoning Ordinances of the Town of Chapel Hill, North Carolina, and the rules and regulations promulgated thereunder, as may from time to time hereafter be amended or modified;

(b) The Master Plan for the development of Meadowmont as may from time to time hereinafter be amended or modified;

(c) The North Carolina Planned Community Act (Chapter 47E of the North Carolina General Statutes); and

(d) The Declaration of Rights, Restrictions, Affirmative Obligations and Conditions Applicable to All Property in Meadowmont (the "General Property Covenants"), which covenants are to be recorded contemporaneously herewith in the Office of the Register of Deeds of Orange and Durham Counties, North Carolina. In the event of any conflict between this Declaration and said General Property Covenants, said General Property Covenants shall prevail.

None of the provisions of this Section (b) are or shall in any way be construed to be or to constitute a conveyance, transfer, disposition, waiver or relinquishment of any right, title and interest of the Company or the Association, as their respective rights, titles and interests may appear, in and to or under any of the above referenced instruments or documents to or for the benefit of any other person, firm or corporation.

Section 9. Limited Liability. In connection with all reviews, acceptances, inspections, permissions, consents or required approvals by or from the Company and/or the Association contemplated under this Declaration, the Company and/or the Association shall not be liable to an Owner or to any other person on account of any claim, liability, damage or expense suffered or incurred by or threatened against an Owner or such other person and arising out of or in any way relating to the subject matter of any such reviews, acceptances, inspections, permissions, consents or required approvals, whether given, granted or withheld.

Section 10. Termination of Association. In the event that this Declaration be declared to be void, invalid, illegal or unenforceable in its entirety, or in such a significant manner that the Association is not able to function substantially as contemplated by the terms hereof, for any reason, by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, and such adjudication occurs within fifteen (15) years of the date of recording this Declaration, all Common Properties and Restrained Common Properties belonging to the Association at the time of such adjudication shall revert to the Company, and the Company shall own and operate said Common Properties and Restricted Common Properties as Trustee for the use and benefit of Owners within the Properties as set forth below. If said adjudication shall occur on a date more than fifteen (15) years after the date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for in Article VIII, Section 1, all Common Properties and Restricted Common Properties owned by the Association at such time shall be transferred to a Trustee appointed by the Superior Court of Orange and Durham Counties, North Carolina, which Trustee shall own and operate said Common Properties and Restricted Common Properties for the use and benefit of Owners within the Properties as set forth below:

(a) Each Lot or Parcel of land located within the Properties shall be subject to an Annual Assessment which shall be paid by the Owner of each such Lot or Parcel to the Company or Trustee, whichever becomes the successor in title to the Association. The amount of such

Annual Assessment and its due date shall be determined solely by the Company or the Trustee, as the case may be, but the amount of such Annual Assessment on any particular Lot or Parcel shall not exceed the amount actually assessed against that Lot or Parcel in the last year that assessments were levied by the Association, subject to the adjustments set forth in subparagraph (b) immediately below;

(b) The Maximum Regular Annual Assessment which may be charged by the Company or Trustee hereunder on any particular Lot or Parcel may be automatically increased each year by an amount of five percent (5%) or the percentage increase between the first and last months of the thirteen (13) month period terminating at the end of the third (3rd) quarter of the previous assessment year in the Consumer Price Index, U.S. City Average, All Items (1967-100) (hereinafter "C.P.I.") issued by the U.S. Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas," whichever of these two (2) percentage figures is larger. The actual amount of such increase in the Maximum Regular Annual Assessment on such Lot or Parcel for the previous year multiplied by the larger of the two (2) percentage factors set forth above. If the C.P.I. is discontinued, then there shall be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living.

(c) Any past due Annual Assessment together with interest thereon at the maximum annual rate allowed by law from the due date and all costs of collection including reasonable attorney's fees shall be a personal obligation of the Owner at the time the Annual Assessment became past due, and it shall also constitute and become a charge and continuing lien on the Lot or Parcel of land and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(d) The Company, or the Trustee as the case may be, shall be required to use the funds collected as Annual Assessments for the operation, maintenance, repair and upkeep of the Common Properties and Restricted Common Properties. The Company or Trustee may charge as part of the cost of such functions the reasonable value of its services in carrying out the duties herein provided. Neither the Company nor the Trustee shall have the obligations to provide for operation, maintenance, repair, and upkeep of the Common Properties or Restricted Common Properties once the funds provided by the Annual Assessment have been exhausted.

Section 11. Management and Contract Rights of Association. The Company may enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance and management of all or any part of the properties. However, no such contract shall be binding upon the Association except through express adoption or ratification of the terms and conditions of such contract. Any contract or lease entered into by the Company or by the Association while the Company is in control thereof shall contain a provision allowing the Association to terminate such contract without justification or penalty after transfer of management by the Company to the Association.

Section 12. Rights of Noteholders. Any institutional holder of a first mortgage on a Unit or Lot will, upon request, be entitled to (a) inspect the books and records of the Association during normal business hours, (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of its fiscal year, (c) receive written notice of all meetings of the Association and the right to designate a representation to attend all such meetings, (d) receive written notice of any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage, (e) receive written notice of any sixty (60) day delinquency in the payment of assessments or charges owned by the owner of any

unit on which it holds the mortgagee, (f) receive written notice of a lapse, cancellation, or material modification of any insurance policy of fidelity bond maintained by the Owners' Association, (g) receive written notice of any proposed action that requires the content of a specified percentage of mortgage holders, and (h) be furnished with a copy of the master insurance policy.

Section 13. Amendments to the Master Plan. The Company, or its successors and assigns are the only parties with standing to request administrative or Town Council amendments to the Master Plan for the Meadowmont Development.

Section 14. Notwithstanding herein contained to the contrary, these Covenants, their enforcement and interpretation shall be subject to the Chapel Hill Town Ordinances.

IN WITNESS WHEREOF, the Association and the Company have caused this instrument to be executed and their seals attached by their duly authorized officers.

This the _____ day of _____, 1999.

[SIGNATURE PAGE FOLLOWS]

THE MEADOWMONT COMMUNITY
ASSOCIATION, INC., a North Carolina
Corporation

By: _____
_____ President

ATTEST:

_____ Secretary

MEADOWMONT DEVELOPMENT COMPANY,
a North Carolina joint venture
BY: EAST WEST MEADOWMONT
VENTURE, L.L.C., Joint Venturer
BY: EAST WEST PARTNERS
MANAGEMENT COMPANY, INC., Its
Manager

[CORPORATE SEAL]

By: _____
_____ President

ATTEST:

_____ Secretary

BY: PMF PROPERTIES, LLC, Joint Venturer

By: _____
J. McNeely DuBose, Manager

STATE OF NORTH CAROLINA

COUNTY OF _____

I, _____, a Notary Public of the County and State aforesaid, do hereby certify that _____ personally came before me this day and acknowledged that he is _____ Secretary of MEADOWMONT COMMUNITY ASSOCIATION, INC., a North Carolina Corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President, sealed with its corporate seal and attested by him/herself as its _____ Secretary all as the act of the corporation.

Witness my hand and notarial seal, this _____ day of _____, 1999.

Notary Public

My Commission Expires: _____

STATE OF NORTH CAROLINA

COUNTY OF _____

I, _____, a Notary Public of the County and State aforesaid, do hereby certify that _____ personally came before me this day and acknowledged that she/he is _____ Secretary of EAST WEST PARTNERS MANAGEMENT COMPANY, a North Carolina Corporation, and further that said act was the act of the corporation as Manager of EAST WEST MEADOWMONT VENTURE, L.L.C., Joint Venturer of MEADOWMONT DEVELOPMENT COMPANY, a North Carolina Joint Venture and as the act of the company and corporation and limited partnership the foregoing instrument was signed in its name by the corporation and herself/himself as _____ President and attested by him/herself as its _____ Secretary all as the act of the partnership.

WITNESS my hand and notarial seal, this the _____ day of _____, 1999.

Notary Public

My Commission Expires: _____

STATE OF NORTH CAROLINA

COUNTY OF _____

I, _____, a Notary Public of the County and State aforesaid, do hereby certify that _____ personally came before me this day and acknowledged that she/he is _____ Manager of PMF PROPERTIES, LLC, Joint Venturer of MEADOWMONT DEVELOPMENT COMPANY, a North Carolina Joint Venture and as the act of the limited partnership the foregoing instrument was signed by him as Manager all as the act of the partnership.

WITNESS my hand and notarial seal, this the _____ day of _____, 1999.

Notary Public

My Commission Expires: _____

EXHIBIT B

NONE.