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Date 8.26.2003
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JUDY G. PRICE, Register of Deeds
Union County, Monroe North Carolina

STATE OF NORTH CAROLINA

COUNTY OF UNION

FIRST SUPPLEMENTAL DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR TAYLOR GLENN

THIS FIRST SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR TAYLOR GLENN (the "Supplemental Declaration") is made, entered into and made effective this 26 day of August, 2003, by INSIGHT COMMUNITIES, LLC, a North Carolina limited liability company ("Declarant").

Declarant is the Declarant under that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions for Taylor Glenn recorded in Book 1965 at Page 486 of the Union County Public Registry (the "Declaration"). Article II, Section 2 of the Declaration provides that Declarant may cause the Additional Property to be made subject to the terms and scheme of the Declaration by filing a Supplemental Declaration in the Union County Register of Deeds. Declarant desires to cause that portion of the Additional Property (the "Phase 1B, Map 1 Property") described on the map (the "Phase 1B, Map 1 Property Map") of Taylor Glenn - Phase 1B, Map 1 recorded in Plat Cabinet G, Page 932 of the Union County Public Registry to be made subject to the terms and scheme of the Declaration.

NOW THEREFORE, Declarant, by this Supplemental Declaration, does hereby declare that all of the Phase 1B, Map 1 Property, including the Common Areas within the Phase 1B, Map 1 Property, as described herein, are and shall be held, transferred, sold, conveyed and occupied subject to the Declaration and the covenants, conditions, restrictions, easements, charges and liens set forth therein and in this Supplemental Declaration, all of which shall run with the title to the Phase 1B, Map 1 Property and be binding upon all parties owning any right, title or interest in and to the Phase 1B, Map 1 Property and every part thereof, their heirs,

2175007.01
LJB:

Drawn by: Kennedy Covington Lobdell & Hickman, LLP (BPE)
Mail to: Kennedy Covington Lobdell & Hickman, LLP
214 N. Tryon Street, 47th Floor, Charlotte, North Carolina 28202

successors and assigns, and shall inure to the benefit of each owner thereof, subject to the additional terms and conditions set forth herein.

Declarant does hereby supplement the definitions set forth in Article I of the Declaration as follows:

"Common Area" or "Common Areas" as defined in the Declaration shall include all of those tracts or parcels of land marked as "Common Area" or "C.A." on the Phase 1B, Map 1 Property Map.

"Lot" or "Lots" as defined in the Declaration shall include the separately numbered parcels (that is, Lots 183A through F, Lots 184A through F, Lots 185A through F, Lots 186A through F, Lots 187A through D, and Lots 188A through E) depicted on the Phase 1B, Map 1 Property Map.

"Map" as defined in the Declaration shall include the map of the Phase 1B, Map 1 Property recorded in Plat Cabinet, at Page 932 (the "Phase 1B, Map 1 Property Map"), Union County Public Registry.

"Property" as defined in the Declaration shall include all of the Phase 1B, Map 1 Property.

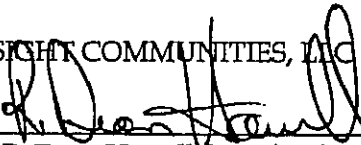
"Roadways" as defined in the Declaration shall include and refer to all roads and cul-de-sacs as shown on the Phase 1B, Map 1 Property Map.

All covenants, conditions, restrictions and easements established by, and contained in, the Declaration remain in full force and effect.

All capitalized terms not otherwise defined in this Supplemental Declaration shall have the same meaning as in the Declaration.

IN WITNESS WHEREOF, Declarant has caused this Supplemental Declaration to be executed effective the day and year first above written.

INSIGHT COMMUNITIES, LLC

By: 

R. Dean Harrell, Member/Manager

STATE OF NORTH CAROLINA
COUNTY OF Union

I, Holly A. John, a Notary Public of the aforesaid county, do hereby certify that R. DEAN HARRELL, a Member/Manager of INSIGHT COMMUNITIES, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the execution and sealing of the foregoing instrument as member/manager on behalf of INSIGHT COMMUNITIES, LLC and as the act of the company referred to in this acknowledgement.

Witness my hand and official stamp or seal, this 26 day of August, 2003.

Holly A. John
Notary Public

My Commission Expires: 6-15-08

HOLLY A. JOHN
NOTARY PUBLIC
UNION COUNTY, NC
My Commission Expires 06/15/08

NORTH CAROLINA-UNION COUNTY
The foregoing certificate(s) of
Holly A John

to be correct.

JUDY G. PRICE: REGISTER OF DEEDS
BY: Mary Brum
ASST/DEPT

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Filed for record
Date 11.5.2002
Time 9:35 a.m. p.m.
JUDY G. PRICE, Register of Deeds
Union County, Monroe, N.C.

Prepared by and return to
Brian P. Evans
Kennedy Covington Lobdell & Hickman, L.L.P.
Hearst Tower
214 North Tryon Street, 47th Floor
Charlotte, NC 28202

AMENDED AND RESTATED
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
TAYLOR GLENN

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STATE OF NORTH CAROLINA

COUNTY OF UNION

AMENDED AND RESTATED
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
TAYLOR GLENN

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR TAYLOR GLENN (this "Declaration") is made this _____ day of _____, 2002, by INSIGHT COMMUNITIES, LLC, a North Carolina limited liability company, hereinafter referred to as the "Declarant"; and is consented to by Mercedes Homes of the Carolinas, Inc., a North Carolina corporation ("Mercedes Homes").

WITNESSETH:

WHEREAS, on May 17, 2001, Declarant was the owner of certain real property located in Union County, North Carolina as more particularly described on Exhibit "A" attached hereto and made a part hereof for all purposes (the "Property"), on which Declarant is developing an exclusive residential community to be known as Taylor Glenn (the "Development"); and

WHEREAS, on May 17, 2001, Declarant recorded a document entitled "Declaration of Covenants, Conditions and Restrictions for Taylor Glenn" in Book 1562, Page 675 of the Union County Public Registry (the "Existing Declaration"); and

WHEREAS, Declarant is now the owner of the Property except for portions thereof which have been conveyed by Declarant and which are now owned by Mercedes Homes and other individual homeowners; and

WHEREAS, Article 15, Section 15.08 of the Existing Declaration provides that the Existing Declaration may be amended by the Declarant without the consent of any other party under certain circumstances, but requires the written consent of not less than sixty-seven percent (67%) of the "Voting Power" of each class of Members of the "Association" (as such terms are defined in the Existing Declaration) under certain other circumstances; and

WHEREAS, Mercedes Homes owns at least sixty-seven percent (67%) of the "Voting Power" of the Class A Members of the Association and Declarant is the sole Class B Member of the Association, and thereby owns one hundred percent (100%) of the "Voting Power" of the Class B Member of the Association; and

WHEREAS, Declarant now desires to amend and restate the Existing Declaration in its entirety for the purpose of supplanting and replacing the Existing Declaration in all respects and for all purposes by executing this Declaration, and Mercedes Homes, by its execution of the Declaration, agrees with and consents to such amendment and restatement and agrees that the portion of the Property which it now owns shall be subject to all of the covenants, conditions and restrictions contained in this Declaration; and

WHEREAS, Declarant desires to provide for the protection, preservation and enhancement of the property values and amenities (if any) of the Property, and for the maintenance of the Property and all improvements thereon, and in furtherance of said purposes desires to subject the Property to the easements, covenants, conditions and restrictions hereinafter stated, each and all of which is and are for the benefit of the Property and each owner of a portion thereof; and

WHEREAS, Declarant, to efficiently preserve the value and amenities (if any) in the Property, has incorporated under the laws of the State of North Carolina relating to nonprofit corporations, Taylor Glenn of Indian Trail Homeowner's Association, Inc. to which shall be delegated and assigned as provided herein the powers of owning, maintaining and administering the Common Area and related facilities and appurtenances, administering and enforcing the terms and provisions of this Declaration, including, without limitation, collecting and disbursing the assessments and charges hereinafter stated, and promoting the recreation, health, safety and welfare of the residents in Taylor Glenn; and

WHEREAS, although Declarant contemplates that separate easements, covenants, conditions and restrictions (which may include assessments, easements, covenants, conditions and restrictions similar to those herein contained) may be imposed with regard to townhome, cluster home, patio home, or "zero lot line" home, phases or sections of the Development and that separate owners' associations may be established for the townhome, cluster home, patio home, or "zero lot line" home phases or sections of the Development, Declarant desires to impose pursuant hereto easements, covenants, conditions and restrictions upon all of the Property, with the understanding that, at the option of Declarant, with the prior written consent of Mercedes Homes so long as Mercedes Homes is a Builder, which shall not be unreasonably withheld or delayed, additional restrictions may be imposed with regard to townhome phases or sections of the Development.

NOW, THEREFORE, Declarant and Mercedes Homes hereby declare that the Existing Declaration is void, shall have no further effect, and is hereby replaced and supplanted in its entirety by this Declaration, and that all of the Property shall be held, used, occupied, sold, leased, transferred, mortgaged, and conveyed subject to the easements, covenants, conditions, charges, liens, and restrictions as hereinafter stated in this Declaration, all of which shall run with the Property and all parts thereof and shall be binding on all parties having or acquiring any right, title or interest in the Property or any part thereof or interest therein and on their heirs, successors and assigns, and shall inure to the benefit of each owner of the Property or any part thereof or interest therein.

ARTICLE I

DEFINITIONS

The following words when used in this Declaration or any Supplemental Declaration, as hereinafter defined, or amendment hereto (unless the context shall otherwise require) shall have the following meanings:

(a) "Additional Declaration" shall mean and refer to any Declaration of Covenants Conditions and Restrictions filed in the Office of the Register of Deeds of Union County, North Carolina with regard to a certain phase, section or portion of the Property, as more particularly described in Article II hereof.

(b) "Additional Property" shall mean and refer to the following real property which is shown on that Master Plan prepared by Cole Jenest & Stone entitled "Sunrise Development Corporation" and dated October 21, 1998: (i) that property shown as "Phase 1", (ii) that property shown as "Phase 2"; that property shown as "Phase 3" and (iv) that property shown as "Phase 4".

(c) "Architectural Control Committee" shall mean and refer to the committee appointed by the Board to oversee the development and enforcement of architectural control standards and restrictions with respect to the Development and to perform certain other functions described in the Declaration.

(d) "Architectural and Landscape Guidelines" shall have the meaning set forth in Article IX hereof.

(e) "Articles" shall mean and refer to the Articles of Incorporation of the Association.

(f) "Association" shall mean and refer to Taylor Glenn of Indian Trail Homeowner's Association, Inc., a North Carolina nonprofit corporation.

(g) "Board" shall mean and refer to the Board of Directors of the Association.

(h) "Builder" shall mean and refer to an Owner acquiring an undeveloped Lot for the purpose of constructing a Dwelling Unit thereon for sale to third parties.

(i) "Bylaws" shall mean and refer to the Bylaws of the Association as they may now or hereafter exist.

(j) "Common Area" or "Common Property" or "Common Open Space" or "Open Space" (these terms being used interchangeably herein) shall mean and refer singularly or collectively, as applicable, to all real property and improvements thereon or associated

therewith, which is/are owned or leased by the Association (or by Declarant for later transfer, lease, or assignment to the Association); easements granted to or reserved by or on behalf of the Association (or the Declarant for later transfer or assignment to the Association); and other real property which has been designated as Common Area on any plat recorded in the Office of the Register of Deeds, Union County, North Carolina by Declarant to in a Supplemental Declaration, or in a deed or other written instrument, and also shall refer to all personal property owned or leased by the Association and designated as Common Area by the Declarant or the Association. The Common Area is for the common use, enjoyment or benefit of the Owners, and/or for the enhancement or protection of the Property or any part thereof, and may include, without limitation, active and passive recreational areas and facilities, including without limitation the Recreational Common Area. All Common Area shall be subject to the terms and conditions of this Declaration. Common Area also may include, as determined by Declarant in its sole discretion, all water retention and detention ponds and areas, if any, including all stormwater facilities, structures and improvements associated therewith, required to be constructed, repaired, replaced or maintained on or near the Property or any portion thereof by the laws, rules or regulations of any governmental authority having jurisdiction thereof and which is required to handle stormwater runoff from any part or all of the Property. Common Area also includes all water lines serving more than one Lot that are located outside any public street right-of-way and all sewer lines serving more than one Lot that are located outside any public street right-of-way and public sanitary sewer easements.

(k) "Common Expenses" shall mean and refer to (i) expenses of administration, Maintenance, improvement, repair or replacement of Common Area or Common Property and/or Landscaped Rights-of-Way, (ii) expenses declared to be or described as Common Expenses by the provisions of this Declaration, (iii) premiums for hazard, liability or other insurance as may be obtained by the Association, (iv) all other expenses incurred by the Association in carrying out its functions and duties under this Declaration and (v) charges for utility services used in connection with the Common Area and Improvements thereon.

(l) "Declarant" shall mean and refer to Insight Communities, LLC, and any of its successors and assigns to whom are assigned the rights of Declarant hereunder by instrument recorded in the Union County Public Registry.

(m) "Declaration" shall mean and refer to this Amended and Restated Declaration of Covenants, Conditions and Restrictions for Taylor Glenn as it may be amended and supplemented (by Supplemental Declarations) from time to time as herein provided.

(n) "Dedicated Common Area" or "Dedicated Common Property" or "Dedicated Open Space" (these terms being used interchangeably herein) shall mean and refer to all real property, if any, conveyed in fee by the Declarant or the Association to the Town of Indian Trail, North Carolina or some other governmental entity in satisfaction of some recreational, open space, road maintenance or other requirement of the Town of Indian Trail or such other governmental entity in connection with the approval of the Development or any part thereof. All Dedicated Common Area shall be exempt from the provisions of this Declaration. If any

real property is made subject to this Declaration and subsequently is determined by Declarant to be Dedicated Common Area, Declarant or the Association may convey such property in fee to the Town of Indian Trail or other appropriate governmental entity free and clear of the provisions of this Declaration and, upon recordation of the deed therefor, this Declaration shall thereafter be deemed to be inapplicable to such property.

(o) "Development" shall mean and refer to the residential development to be developed by Declarant as Taylor Glenn, into which the Property is being developed.

(p) "Dwelling Unit" shall mean and refer to a portion of the Property, whether developed or undeveloped, intended for development, use and occupancy as an attached or detached dwelling for a single family. By way of illustration, but not limitation, each single-family, detached house on a Lot, each patio home, each townhouse or townhome, each "zero lot line" home and each cluster home shall constitute a separate Dwelling Unit. Each Lot or tract containing vacant land intended for development or land on which improvements are under construction shall be deemed to contain one (1) Dwelling Unit. Upon issuance of one or more certificate(s) of occupancy for a structure or structures constructed on a Lot or tract, however, the Lot or tract on which such structure(s) are constructed shall be deemed to have the number of Dwelling Units as certificates of occupancy issued for such structure(s).

(q) "Entrance Monument Easements" shall mean and refer to the easements reserved by Declarant and granted to the Association in Article X, Section 6 hereof over, under and across certain areas of the Property, for the installation and maintenance of entrance monuments and related improvements for the Development, all as more particularly described in Article X, Section 6.

(r) "Improvement" or "Improvements" shall mean and include all Dwelling Units, buildings, storage sheds or areas, roofed structures, decks, patios, parking areas, exterior recreational areas, recreational equipment and facilities, mailboxes, exterior antennae, dishes or other apparatus to receive or transmit television or radio or microwave or other signals, loading areas, trackage, fences, walls, hedges, mass plantings, poles, driveways, ponds, lakes, changes in grade or slope of a Lot or Dwelling Unit, site preparation of a Lot or Dwelling Unit, landscaping, exterior clotheslines, swimming pools, tennis courts, signs, exterior illumination, changes in any exterior color or shape and any other exterior construction or exterior structure or other exterior improvement which may not be included in any of the foregoing. The definition of Improvements includes both original Improvements and all later changes and additions to Improvements.

(s) "Landscaped Rights-of-Way" shall mean the medians and other areas within public or private street rights-of-way within or adjoining the Property which are designated as Common Area or Landscaped Rights-of-Way in this Declaration, in any Supplementary Declaration, or on any plat recorded in the Office of the Register of Deeds, Union County, North Carolina by Declarant, and which shall be maintained by the Association as a Common

Expense, including without limitation the planting islands within the right-of-way of Taylor Glenn Lane, near the intersection of Taylor Glenn Lane and Wesley Chapel-Stouts Road.

(t) (Intentionally Omitted).

(u) "Lot" shall mean and refer to any numbered plot of land which is part of the Property, and which is intended for single-family residential use, and which is shown on any plat in the Office of the Register of Deeds, Union County, North Carolina which Declarant has recorded, caused to be recorded or approved for recordation. Declarant hereby reserves the right to reconfigure, at any time and from time to time, without the consent of the Owners or Members of the Association, the boundaries of any Lot or Dwelling Unit owned by the Declarant and to thereby reconfigure Lots or Dwelling Units, create streets, create additional Lots or Dwelling Units, eliminate existing Lots or Dwelling Units, create additional Common Area or reduce proposed Common Area not yet conveyed to the Association (provided that no such reduction violates any applicable ordinances of the Town of Indian Trail or other entity having governmental jurisdiction over such Common Area); provided however, if Declarant creates streets, creates additional Common Area or reduces proposed Common Area not yet conveyed to the Association, other than as shown on the "Permit" described in Article XII, Section 16, Declarant shall first obtain the prior written consent of Mercedes Homes so long as Mercedes Homes is a Builder, which consent shall not be unreasonably withheld or delayed. Declarant's exercise of this right shall be evidenced by the recording of a revised map of the affected Lot, Dwelling Unit or Common Area. Upon the recording of any such revised map, each Lot or Dwelling Unit shown on the previously recorded map that has been revised by the new map shall cease to be a "Lot" or "Dwelling Unit" as defined herein and each revised Lot or Dwelling Unit as shown on the new map shall be a "Lot" or "Dwelling Unit" as defined herein.

(v) "Maintain", "Maintenance" or any substantially similar term used in this Declaration, when applied to a power or duty of the Association shall mean and include, without limitation, the right to maintain, repair, replace, reconstruct, improve, clean, landscape, operate and use the improvement, property or other item which is the subject thereof.

(w) "Member" shall mean and refer to each Owner of a Lot or Dwelling Unit who is a member of the Association as provided in this Declaration.

(x) "Owner" shall mean and refer to the owner of record as shown in the Union County, North Carolina Registry, whether one or more persons or entities, of fee simple title to any Lot or Dwelling Unit, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. The definition of "Owner" shall include Sub-Associations as defined herein for purposes of enforcement of this Declaration.

(y) "Person" shall mean and refer to any individual, corporation, partnership, association, limited liability company, trust or other legal entity.

(z) "Property" shall mean the Property described on Exhibit "A" attached hereto and incorporated herein by reference and any and all other Additional Property (as herein defined) hereafter made subject to this Declaration by any Supplemental Declaration or Additional Declaration.

(aa) "Recreational Common Area" shall mean and refer to that portion of the Common Area shown as "Amenities Area/Common Area - 3.60 acres" on the plat recorded in Plat Cabinet G, File 491 in the Union County Public Registry, and any other Common Area designated by Declarant in this Declaration, in any Supplementary Declaration, or on any plat filed in the Union County Public Registry, as "Recreational Common Area," together with any and all improvements constructed thereon, including without limitation a swimming pool, pool house, parking lot, sand volleyball court, tennis court, picnic areas and walking trail.

(bb) "Roadways" shall mean and refer to the public streets and private streets (if any) located within the Development.

(cc) "Sub-Association" shall mean and refer to any separate owners association established pursuant to or in connection with an Additional Declaration, which Sub-Association may own or lease Sub-Community Property in connection with such Additional Declaration and may assess those Owners of Property subject to such Additional Declaration for the Maintenance of such Sub-Community Property.

(dd) "Sub-Community Property" shall mean and refer to all real property and improvements thereon or associated therewith, which is/are owned or leased by any Sub-Association (or by Declarant for later transfer, lease, or assignment to the Sub-Association) established pursuant to or in connection with an Additional Declaration, and shall be common area benefiting only Additional Property subjected to an Additional Declaration. Such Sub-Community Property shall not be Maintained or controlled by the Association, and no Owner shall have any rights or easements therein except pursuant to such Additional Declaration. Provided, however, that certain areas within the Additional Property subject to the Additional Declaration may be established as Common Area pursuant to this Declaration for use by all Owners in the Development, and which Common Area will be Maintained and controlled by the Association, which Common Area shall not be Sub-Community Property.

(ee) "Supplemental Declaration" shall mean and refer to any supplement to this Declaration filed in the Office of the Register of Deeds of Union County, North Carolina with regard to Additional Property as more particularly set forth in Article II hereof.

ARTICLE II

PROPERTY

Section 1. Property Made Subject To Declaration. The Property is hereby made subject to this Declaration and the Property shall be owned, held, used, occupied, leased, transferred, sold, mortgaged and/or conveyed by Declarant, the Association and each Owner subject to this Declaration and the terms, covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration. Declarant shall have the right, as set forth below, but shall have no obligation, to subject the Additional Property to this Declaration.

Section 2. Annexation of Additional Property by Declarant Within Twenty (20) Years. For a period of twenty (20) years after the date of recordation of this Declaration, Declarant may subject all or any portion of the Additional Property to this Declaration by filing of record a Supplemental Declaration which shall extend this Declaration to such Additional Property; provided, however, that such Supplemental Declaration, as applied to the Additional Property covered thereby, may include such specific additional terms, covenants, conditions, restrictions, easements, charges and liens, not inconsistent with this Declaration, as may be set forth in such Supplemental Declaration. There shall be no requirement that any party other than Declarant and the owner of such Additional Property (if not Declarant) consent to, approve, or execute any such Supplemental Declaration. If Declarant should desire to subject to this Declaration any property other than the Additional Property, and a Class B Membership (as hereinafter defined) still exists, such addition shall require the prior written consent of the Department of Housing and Urban Development ("HUD") and the Veterans' Administration ("VA"), if at the time of such amendment HUD and the VA are insurers or guarantors of any loan secured by a mortgage or deed of trust upon any Lot.

Section 3. Contents of Supplemental Declaration. Each Supplemental Declaration shall be effective upon recordation in the Union County, North Carolina Registry, shall describe the lands annexed and shall incorporate the provisions of this Declaration, either by reference hereto or by fully setting out the provisions hereof. Such Supplemental Declaration need not be in any specific form (for example, it may be contained in a deed from Declarant conveying the real property being subjected to this Declaration), but shall clearly indicate the intention to subject the Additional Property to this Declaration. A Supplemental Declaration may contain such other terms and conditions, not inconsistent herewith, as the parties subjecting the Additional Property to this Declaration may agree upon. Nothing contained herein shall prohibit the owner of any Additional Property made subject to this Declaration by Supplemental Declaration from subjecting such Additional Property to other covenants, conditions and restrictions not inconsistent with the terms of this Declaration by means of an Additional Declaration; provided, however, that the consent of Declarant is obtained as provided in Article II, Sections 4 and 5 below.

Section 4. Additional Declaration. Each Additional Declaration shall be effective upon recordation in the Union County, North Carolina Registry, shall describe the lands

subjected thereto and shall incorporate the provisions of this Declaration, either by reference hereto or by fully setting out the provisions hereof. Such Additional Declaration may contain additional provisions applicable only to that certain phase or portion of the Additional Property to be included in the Development (which may be somewhat inconsistent with the terms of this Declaration due to the particular nature of such Additional Property), and may provide for the creation of a Sub-Association to also have jurisdiction over such portion or phase of the Property. No Additional Declaration may be recorded unless the property described therein has been subjected to this Declaration, and unless Declarant has approved such Additional Declaration. It is currently contemplated that Mercedes Homes or another Builder will record Additional Declarations with respect to Lots upon which townhome, cluster home, patio home, or "zero lot line" Dwelling Units are to be constructed. Declarant's consent to any such Additional Declaration may be conditioned by Declarant upon such Additional Declaration granting to Declarant, or to any other owner of property contiguous to the Property to be subjected to such Additional Declaration, the right (without the consent of the declarant under such Additional Declaration or of any other party whatsoever) to annex such contiguous property to such Additional Declaration.

Section 5. Changes to this Declaration or Additional or Supplementary Declarations Requiring Declarant's Consent. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that, for so long as there is a Class B Membership, the prior written consent of Declarant shall be required for any parties to modify, change and/or amend, in whole or in part, the terms and provisions of this Declaration, any Supplemental Declaration and/or any Additional Declaration or to impose new or additional covenants, conditions, restrictions or easements on any part of the Property.

Section 6. Conveyance of Common Areas in Newly Annexed Lands. Title to Common Areas located in Additional Properties shall be conveyed to the Association in accordance with Article IV, Section 3 herein.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Each and every Owner of a Lot or Dwelling Unit shall automatically become and be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot or Dwelling Unit, and the Board may make reasonable rules relating to the proof of ownership of a Lot or Dwelling Unit.

Section 2. Classes of Voting Members. Subject to the rights of Declarant reserved in this Section 2, the Association shall have two classes of voting membership as follows:

Class A. Class A Members shall be all Owners of Lots or Dwelling Units, with the exception of Declarant until such time as Declarant's Class B Membership is converted to Class

A Membership as provided in this Article. Unless otherwise provided by a Supplemental Declaration, a Class A Member shall be entitled to one (1) vote for each Lot or Dwelling Unit owned by such Class A Member at the time notice is given of the particular meeting at which Class A membership votes are eligible to be cast. Provided, when two (2) or more Persons own or hold interests in any Lot or Dwelling Unit, all such Persons shall be Class A Members, and the one (1) vote for such Lot or Dwelling Unit shall be exercised as they, among themselves, determine, but fractional voting shall be prohibited and in connection with any particular vote no more than one Class A membership (1) vote shall be cast with respect to each Lot or Dwelling Unit.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Lot or Dwelling Unit owned by the Class B Member at the time notice is given of the particular meeting at which the Class B votes are eligible to be cast.

The Class B Membership shall terminate and be converted to Class A Membership upon the happening of the first to occur of the following:

(a) when the total votes outstanding in Class A Membership equal the total votes outstanding in Class B Membership. Provided, however, and notwithstanding anything to the contrary that may appear herein or in the Declaration, if at any time prior to twenty (20) years from the date of recordation of this Declaration, the Class B Membership terminates for the foregoing reason and thereafter Declarant, pursuant to Section 2 of Article II of the Declaration, annexes Additional Property to the Declaration such that, following such annexation, if votes are allocated to the Lots or Dwelling Units owned by Declarant at the rate of three (3) votes per Lot or Dwelling Unit Declarant's total outstanding votes would exceed the total outstanding votes of the Class A Members, the Class B Membership shall be reinstated until such time as it again terminates due to one of the events of termination stated herein. Prior to twenty (20) years from the date of recordation of this Declaration or the voluntary termination of the Class B Membership by Declarant, whichever first occurs, there shall be no limitation on the number of times the Class B Membership may terminate and be reinstated in accordance with the provisions of this paragraph (a); or

(b) voluntary termination by Declarant; or

(c) that date which is twenty (20) years from the date of recordation of this Declaration.

Section 3. Voting, Quorum and Notice Requirements. Except as may be otherwise specifically set forth in this Declaration, the Articles or the Bylaws, the vote of the majority of the aggregate votes entitled to be cast by all classes of the Members present, or represented by legitimate proxy, at a legally constituted (duly called) meeting of the Association at which a quorum is present, shall be the act of the Members with respect to the matter that is the subject of such vote. The number of votes required to constitute a quorum shall be as set forth herein

or in the Bylaws. Notice requirements for all action to be taken by the Members of the Association shall be as set forth herein or in the Bylaws.

Section 4. Termination Of Membership. A Person's membership in the Association shall terminate automatically whenever such Person ceases to be an Owner, but such termination shall not release or relieve any such Person from any liability or obligation incurred under or in any way connected with the Association or this Declaration during the period of such Person's ownership of a Lot or Dwelling Unit, or impair any rights or remedies which the Association or any other Member has with regard to such former Member.

ARTICLE IV

PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Owners' Easements of Enjoyment. Subject to the provisions of this Declaration (and subject to the provisions of any Supplemental Declaration which may be applicable and not inconsistent herewith), every Owner shall have a right and easement of use and enjoyment in and to the Common Area, including without limitation the Recreational Common Area, which rights and easements shall be appurtenant to and shall pass with the title to every Lot or Dwelling Unit; PROVIDED, HOWEVER, such easement shall not give such person the right to make alterations, additions or improvements to any part of the Common Area, and Declarant or the Association may promulgate reasonable rules and regulations governing the Common Area. Subject to the terms of this Declaration, the Articles and the Bylaws, any Owner may delegate such Owner's right of use and enjoyment in and to the Common Area to the members of such Owner's family, such Owner's tenant or contract purchasers who reside on the Owner's Lot or Dwelling Unit, or to such Owner's guests; provided that Declarant or the Association may, in the Rules and Regulations, limit the number of guests of Owners that may use the Recreational Common Area.

Section 2. Declarant's Easements in the Common Area. Declarant hereby declares and establishes, for its benefit and the benefit of Declarant's contractors, agents and designees, a right and easement over, across, upon and under the Common Area for any and all activities associated with the development of the Property, including but not limited to grading, landscaping and the construction of improvements upon the Common Area.

Section 3. Title to the Common Area. Declarant shall convey to the Association (by deed without warranty at Declarant's option) fee simple title to all real property portions of the Common Area, if any, shown on any plat of that phase, section, or part of the Property recorded by Declarant, which conveyance shall be free and clear of all encumbrances and liens other than the lien of current taxes not yet due and payable, utility easements and drainage easements of record in Union County, North Carolina, the terms and conditions of this Declaration, specifically including Declarant's easements over and across the Common Area as set forth in Section 2 of this Article IV, and any applicable Supplemental Declaration. Common Area may

be conveyed by Declarant to the Association in whole or in part from time to time. If the Declarant conveys any Common Area to the Association, and thereafter, pursuant to the rights reserved by Declarant, revises the boundaries of such Common Area and any Lots or Dwelling Units adjoining such Common Area, the Declarant and the Association shall in accordance with Section 4 (j) of this Article IV execute such documents as may be reasonably required by the Declarant to correct the boundaries of the Common Area and adjoining Lots or Dwelling Units in accordance with the revisions made thereto.

Section 4. Extent of Owners' Easement. The rights and easements of enjoyment created in Section 1 of this Article IV hereby shall be subject to the following:

(a) all provisions of this Declaration affecting such rights and easements, including without limitation those contained in this Article IV;

(b) the right of the Association to prescribe and enforce regulations governing the use, operation and maintenance of the Common Area (including limiting the number of guests of Members who may use the Recreational Common Area);

(c) the right of the Association to borrow money for the purpose of improving, repairing, replacing and maintaining the Common Area and facilities and/or the Landscaped Rights-of-Way and in connection with such borrowing to mortgage the Common Area, provided the rights of such mortgagee in the Common Area shall be subordinate to the rights of the Association and the Owners hereunder (Note: the term "mortgage" when used in this Declaration also include a deed of trust and any other type of security interest in real or personal property), provided that the Association obtains the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting at which a quorum is present, and provided that the Association obtain the consent of HUD and the VA if at the time of such amendment a Class B Membership exists and HUD or VA are insurers or guarantors of any loan secured by a mortgage or deed of trust upon any Lot in the Development;

(d) the right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure;

(e) the right of the Association to suspend the voting rights and right to use the Recreational Common Area or the Common Area if any, by an Owner (including his tenants) for any period during which any assessment against such Owner's Lot or Dwelling Unit remains unpaid, and, for a period not to exceed sixty (60) days, for any infraction of the Association's published rules and regulations;

(f) the right of the Association to charge reasonable admission and other fees for the use of the Recreational Common Area.

(g) subject to the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting at which a quorum is present, the right of the Association to dedicate or transfer title to all or any part of the Common Area to any public agency, authority, or utility for such purposes and upon such conditions as the Board, or the Members who exercise the required affirmative vote (if the motion or resolution passed by such vote contains such conditions), may determine;

(h) easements for drainage, storm water control or removal, utilities, signs and other matters shown on recorded plats of the Common Area or created or reserved by Declarant prior to or simultaneously with conveyance of such Common Area by Declarant to the Association, and/or granted by the Association as permitted by this Declaration; and

(i) subject to the affirmative vote of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting at which a quorum is present, the right of the Association to lease, grant an easement in, over, under or upon, or transfer title to, any part or all of the Common Area to another nonprofit corporation or association organized and existing, with respect to property owned by such corporation or association, for purposes substantially similar to the Association with respect to the Common Property. Upon the approval of the Board, the Association may lease from any such nonprofit corporation, or association or accept transfer of title of or an easement in, any part or all of the property owned by such corporation or association.

(j) Exchange of Common Area. The Association, acting with the consent of the Members of each class present or represented by proxy at a duly called meeting of the Association at which a quorum is present, at any time and from time to time may exchange with Declarant, or with any Owner, or with any other Person with whom such an exchange is determined by the Board to be in the best interests of the Association, a portion of the real property Common Area for a portion of the real property owned by the Declarant, such Owner or such Person, provided that the real property acquired by the Association in the exchange: (i) is free and clear of, all encumbrances except for this Declaration and any applicable Supplemental or Additional Declaration and subdivision covenants, and easements for drainage, utilities, and greenways; (ii) is contiguous to a Lot, Dwelling Unit or some portion of the Common Area, or Roadways; and (iii) has like area and utility, or is of approximately the same market value, as the portion of the Common Area exchanged; and (iv) the acreage and configuration of the remaining Common Area equals or exceeds the requirements of the Town of Indian Trail Code (if applicable). In addition to the foregoing, the Association shall have the right to exchange portions of Common Property with the Declarant or with any Owner without the consent of the Members (as determined by the Board) for other real property for the purpose of eliminating encroachments or improvements onto portions of the Common Property to be retained by the Association or for the purpose of correcting any setback violations or encroachments of any improvements located on a Lot or Dwelling Unit.

Section 5. Leases Of Lots or Dwelling Units. Any lease agreement between an Owner and a lessee for the lease of such Owner's Lot or Dwelling Unit shall be in writing and

shall provide that the terms of the lease shall be subject in all respects to the provisions of this Declaration and the Articles and Bylaws of the Association, and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. Each Owner shall provide the Association copies of any and all leases of such Owner's Lot or Dwelling upon request.

Section 6. Ingress and Egress. Notwithstanding anything to the contrary appearing in this Declaration, if ingress and egress to any Lot or Dwelling Unit is through any part of the Common Area, any conveyance or encumbrance of such part of the Common Area shall be subject to an easement for ingress and egress for such Lot or Dwelling Unit over and upon such portion of the Common Area as is designated for ingress and egress (by a public or private street or right of way) and shown on a recorded plat of such Common Area, Lot or Dwelling Unit affected thereby or created or reserved by Declarant in an instrument recorded in the Union County, North Carolina Registry.

Section 7. Exclusive Easements. Declarant reserves the right, in its sole discretion, to grant exclusive utility easements to utility providers over and across all Common Areas and within all setback areas located upon the Lots; provided however, if any utility providers should disturb any area located upon a Lot, the party exercising the easement shall restore or have restored such Lot to its condition immediately prior to such disturbance. Prior to granting any easements to utility providers, the Association shall obtain the written approval of Declarant.

ARTICLE V

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation for Assessments. Subject to the terms and conditions of this Declaration, each Owner of a Lot or Dwelling Unit, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, is hereby deemed to covenant and agree (and such covenant further shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot or Dwelling Unit), to pay to the Association (or to any Person which may be designated by the Association to receive such monies on behalf of the Association): (i) annual assessments or charges; (ii) special assessments for capital improvements or unusual or emergency matters; and (iii) individual assessments levied against an Owner to reimburse the Association for extra costs for maintenance and/or repairs caused by the failure of such Owner to maintain such Owner's individual Lot or Dwelling Unit and Improvements thereon, or for damage to or destruction of Common Area by the Owner or the Owner's guests, tenants, licensees, agents, or family members, all of such assessments and charges to be fixed, established and collected as hereinafter provided. The annual, special, and individual assessments, together with such interest and late charges thereon and costs of collection thereof (including, without limitation, reasonable attorneys' fees) as are hereinafter provided shall be a charge and continuing lien on the Lot or Dwelling Unit against which each such assessment is

made. Each such assessment, together with such interest and late charges thereon and costs of collection thereof (including, without limitation, reasonable attorney fees) as are hereinafter provided also shall be the personal and continuing obligation of the Owner of such Lot or Dwelling Unit at the time when the assessment became due. An Owner's personal obligation for payment of such assessments shall not pass to such Owner's successors in title unless expressly assumed by them, but the lien against such Owner's Lot or Dwelling Unit as established in this Declaration shall continue in effect (unless terminated as otherwise provided herein). No Owner shall be exempt from liability for any assessment provided for herein by reason of non-use of such Owner's Lot or Dwelling Unit or the Common Area. This Declaration shall, pursuant to Section 6-21.2 of the North Carolina General Statutes, constitute an evidence of indebtedness with respect to the obligation to pay each assessment provided for herein.

Section 2. Purpose and Use of Assessments. The assessments levied by the Association shall be used for the purposes of implementing and enforcing the terms and provisions hereof and of any Supplemental Declaration, paying the Common Expenses and promoting the health, safety, enjoyment and welfare of the Owners of Lots and Dwelling Units, and in particular, but without limitation, for the (i) improvement, use, operation, repair, replacement and maintenance of the Common Area, including without limitation the Recreational Common Area, Landscaped Rights-of-Way and all improvements located therein or thereon; (ii) payment of premiums for hazard insurance in connection with the Common Area, and the Landscaped Rights-of-Way, and any improvements or facilities thereon; (iii) payment of public liability and other insurance of the Association; (iv) paying the costs of labor, equipment (including the expense of leasing any equipment) and material required for the Common Area, the Landscaped Rights-of-Way, and the improvement, maintenance, repair, replacement, management, protection, preservation, use and supervision thereof; (v) payment of all ad valorem taxes and public assessments levied on the Common Area owned in fee by the Association; and (vi) carrying out the purposes and duties of the Association as stated in its Articles and Bylaws and as stated in this Declaration.

Without limiting the generality of the above-described purposes, the assessments levied by the Association may be used for the acquisition, construction, improvement (including landscaping and planting) and maintenance of any common facilities located or to be located in the Common Area and Landscaped Rights-of-Way, and any landscaping easement areas or Entrance Monument easement areas as shall be indicated on the recorded plats of the Development, including the following: (a) providing grass cutting, fertilizing, weed and insect treatments and maintenance of trees, removal of litter, shrubbery and flowers located on or within Common Areas, Landscaped Rights-of-Way, and landscaping easement areas and sign or entrance monument areas; (b) providing Maintenance and operation of all walls, fountains, ponds, waterfalls, monuments, irrigation facilities, sidewalks, fences, signage, lighting or other structures in facilities located on or within any of the areas identified as Common Areas, Landscaped Rights-of-Way, and sign or Entrance Monument Easements; and (c) providing maintenance and operation of any other special features of the Development, if any.

As determined in its discretion, the Board shall establish and maintain an adequate reserve fund for the periodic Maintenance, repair and replacement of improvement of Improvements to or in the Common Property, Landscaped Rights-of-Way, and those other portions of the Development, if any, that the Association is obligated to maintain. Such reserve fund shall be established out of the funds collected through annual assessments.

All funds collected by the Association shall be treated as the separate property of the Association, and such funds may be applied by the Association for the purposes stated in this Declaration. As funds pursuant to any assessment are paid to the Association by any Owner, such funds may be commingled with funds paid to the Association by other Owners. Although all funds and assets of the Association shall be held for the benefit of the Members of the Association as provided in this Declaration, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer, such Member's interest therein, except as an appurtenance to such Member's Lot or Dwelling Unit. When any Owner shall cease to be a Member of the Association, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association or any portion thereof which may have been paid to the Association by such Owner or acquired with any funds paid to the Association by such Owner, as all funds which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used by the Association as provided in this Declaration.

Section 3. Maximum Annual Assessment and Annual Assessment. The maximum annual assessment for the calendar year beginning January 1, 2002, and for successive calendar years thereafter shall be established by Board subject to this Article V. Within thirty (30) days after adoption of the yearly budget, the Board shall provide to all Owners a summary of the budget and a notice of the meeting to consider ratification of the budget. The Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. A quorum need not be present at such meeting, and the budget is ratified unless at that meeting the Owners entitled to exercise fifty-one percent (51%) of the votes in the Association reject the budget. In no event may the Board or membership of the Association decrease the amount of the annual assessment for any calendar year from the amount of the annual assessment for the previous calendar year.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized herein, the Association may levy in any calendar year a special assessment payable by all Owners (other than Declarant and Builders) for the purpose of defraying, in whole or in part, the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, and the cost to purchase Lots and Dwelling Units at foreclosure sales of association liens, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of membership entitled to be cast by the Members present or represented by proxy at a duly called meeting of the Association at which a quorum is present. A special assessment shall be due and payable as established by the vote of the Members

approving the special assessment, or, if not established by such vote of the Members, as established by the Board.

Section 5. Individual Assessment for Repairs. In the event that any Owner fails to maintain his individual Lot or Dwelling Unit and Improvements thereon or in the event that any portion of any Common Area is damaged or destroyed by an Owner or any of such Owner's guests, tenants, licensees, agents, or family members, (as also referenced in Article VIII hereof), such Owner hereby authorizes the Association to repair or replace such damaged or destroyed area in a good and workmanlike manner. Provided that, prior to commencement of the Maintenance, repair or replacement of an individual Lot or Dwelling Unit, the Board of the Association shall provide the Owner thereof written notice setting forth the required Maintenance, repair or replacement, and the Owner of such Lot or Dwelling Unit shall have a period of ten (10) days from receipt of such notice in which to complete the required Maintenance, repair or replacement to the satisfaction of the Board. The amount reasonably required for such repairs, Maintenance, or replacement, including all labor and materials used in connection therewith, shall become an individual assessment upon the Lot or Dwelling Unit of such Owner, due and payable as determined by the Board.

Section 6. Emergency Assessments. In addition to the annual assessments, special assessments, and individual assessments authorized herein, in the event of an "Emergency" (as hereinafter defined), the Board, on behalf of the Association, in the Board's sole discretion, may levy an emergency assessment for the purpose of taking preventative, protective, stabilizing, or remedial actions to protect the Common Area or any Improvements located thereon, and to further reconstruct, repair or replace any portion of the Property or Improvements following such Emergency. An "Emergency" for purposes of this Section 6 includes, but is not limited to, floods, hurricanes, tornadoes, fires, acts of God or other naturally occurring phenomena. An emergency assessment shall be due and payable as established by the Board.

Section 7. Notice and Quorum For Actions Authorized Under Section 4. Written notice of any meeting of the Association called for the purpose of taking any action required to be taken by the membership under the preceding Section 4 of this Article shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members plus proxies entitled to cast sixty percent (60%) of the combined total number of votes of all classes of membership shall constitute a quorum. If the required quorum is not present at the first such meeting, subsequent meeting(s) may be called subject to the same notice requirement, and the required quorum at the subsequent meeting(s) shall be one-half (1/2) of the required quorum at the immediately preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the immediately preceding meeting.

Section 8. Rate of Assessments.

(a) Except as otherwise set forth herein, assessments other than individual assessments must be fixed at a uniform rate for all Lots. Annual assessments other than

individual or special assessments may be collected on a monthly, quarterly, annual or other basis, as determined by the Board, and may be collected in advance. The Board shall have the power at any time and from time to time, in its sole discretion and upon such terms and conditions as the Board deems appropriate, to allow percentage discounts to Owners who pay assessments earlier than would otherwise be required for such payments; provided, however, all such discounts shall be made available to and applied uniformly to the Owners of all Lots that are subject to the assessment to which the discount applies.

(b) Anything to the contrary herein notwithstanding, the annual assessment for each Lot owned by Declarant shall be in an amount equal to five percent (5%) of the annual assessment established by the Board until such Lot has been conveyed by Declarant to an unaffiliated third party.

(c) Anything to the contrary herein notwithstanding, upon the conveyance of each Lot by Declarant to Builder, both Builder and Declarant shall pay to the Association an amount equal to five percent (5%) of the annual assessment established by the Board, which amount shall cover all of Declarant's and Builder's liability for the assessment against such Lot until such time as the Builder conveys the Lot to an unaffiliated third party. At the time that Builder conveys a Lot to an unaffiliated third party, such unaffiliated third party shall be assessed at the rate of one hundred percent (100%) of the amount of the annual assessment established by the Board.

Section 9. Commencement of Assessments: Establishing the Amount: Due Dates. The annual assessment shall commence with respect to each Dwelling Unit and Lot in any phase or section of the Development on the first day of the month immediately following the month in which the first Lot or Dwelling Unit is conveyed to a third party by Declarant; provided however, the assessments shall be payable by Declarant and Builders in accordance with Section 8(c) of this Article V. The amount of the first annual assessment applicable to the Lot or Dwelling Unit shall be prorated in accordance with the number of months remaining in the calendar year on and after it becomes applicable to the Lot or Dwelling Unit. A special assessment and/or individual assessment shall be applicable to each Lot or Dwelling Unit subject to this Declaration at the time such assessment is established. The Board shall establish the amount of the annual assessment for the ensuing calendar year at least thirty (30) days in advance of the beginning of such year, and, if the amount of the annual assessment changes from the amount for the current year, the Board shall cause written notice of the new annual assessment to be sent to at least one of the Owners of each Lot or Dwelling Unit subject to the assessment. Subject to any limitations contained in this Declaration, the Articles, the Bylaws or any applicable laws, the Board is empowered at any time and from time to time to establish the due dates and penalties for late payment of annual and special assessments. The failure of the Board to establish the amount of any annual assessment as required herein shall not be a waiver or modification in any respect of the provisions of this Declaration, or a waiver of the Board's right to establish the annual assessment at any time during the calendar year to which it is applicable, or a release of any Owner from the obligation to pay the assessment or any installment thereof for that or any subsequent year, and the annual assessment established for

the immediately preceding calendar year shall continue in effect until the Board has established the new annual assessment.

Section 10. Certification of Assessments Paid. The Association (or any Person employed by the Association to assist in the management of the Association and collection of assessments and authorized to issue such certificates) shall, upon demand and for a reasonable charge or fee, furnish a certificate signed by an officer of the Association (or the Person or an officer, partner or agent of such Person having authority to issue such certificate) setting forth whether or not the assessments on a particular Lot or Dwelling Unit have been paid. A properly executed certificate of the Association (or authorized Person) as to the status of the payment of such assessments shall be binding on the Association, as of the date of its issuance, with respect to the assessments addressed therein.

Section 11. Assessment Lien and Remedies for Non-Payment. Except as otherwise provided in this Declaration or by applicable laws, the aforesaid lien shall be superior to all other liens and charges against each Lot or Dwelling Unit and the Improvements thereon. The Board shall have the power to subordinate the aforesaid assessment lien to any other lien, and such power shall be entirely discretionary with the Board. To evidence for the public record the amount of any assessment lien, the Board may prepare a written notice of assessment lien setting forth the amount of the unpaid indebtedness, the name of the Owner of the Lot or Dwelling Unit subject to such lien, and a description of the Lot or Dwelling Unit. Such notice shall be signed by one of the officers of the Association and shall be recorded in the Office of the Register of Deeds of Union County, North Carolina. The lien of any assessment may be enforced by the foreclosure of the defaulting Owner's Lot or Dwelling Unit and Improvements thereon by the Association in like manner as a deed of trust with power of sale on real property, or the Association may institute suit against the Owner personally obligated to pay the assessments, or the lien may be enforced by judicial foreclosure or the Association may pursue one or more of the foregoing remedies and/or may seek any other available remedy or relief. With respect to any such remedy pursued by the Association, whether judicial or non-judicial, in addition to the amount of the unpaid assessment, and interest and late charges thereon, the Owner shall be required to pay the costs, expenses, and reasonable attorneys' fees incurred by the Association. The Association shall have the power to bid on the Owner's Lot or Dwelling Unit and Improvements thereon at foreclosure or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with the same. In the event that any of the foregoing remedies by the Association results in the entry of a judgment against an Owner and in favor of the Association, then the Association shall be further empowered to execute on that judgment in such manner and to the extent provided and permitted by the laws of the State of North Carolina.

Any assessments which are not paid by the due date shall be delinquent. If the assessment is not paid in full within thirty (30) days immediately following the due date, interest shall accrue on the unpaid portion of the assessment at the rate of interest established from time to time by the Board, not to exceed the lesser of the highest lawful rate per annum or sixteen percent (16%) per annum. The Board shall establish the applicable rate of interest at the

time it establishes the annual assessment each year, and shall notify Owners of the established rate in the same manner (or in the same notice) as required for notification of any change in the annual assessment. When the Board establishes the applicable rate of interest for any year, that rate shall continue in effect until such time as a new rate of interest is established by the Board. If, for any reason, it is determined that the Board is without discretion or authority to establish the applicable interest rate, then the applicable interest rate shall be the lesser of the highest lawful rate per annum or sixteen percent (16%) per annum.

In addition to the foregoing, the Board may establish from time to time a late payment charge, in such amount (not to exceed 10% of the maximum annual assessment per month) and beginning on such date as determined by the Board. The Board shall establish the applicable late payment charge at the time it establishes the annual assessment each year, and shall notify Owners of the established charge in the same manner (or in the same notice) as required for notification of any change in the annual assessment. When the Board establishes a late payment charge, that charge shall continue in effect until such time as a new charge is established by the Board.

The Board, in its discretion, may waive in whole or in part the imposition of interest and late payment charges with respect to any delinquent assessment.

Section 12. Working Capital Fund.

(a) Payment by Builders. At the time of closing of the initial sale of each Lot by Declarant to a Builder, Builder shall pay the sum of One Hundred Fifty and No/100 Dollars (\$150.00) to the Association to be held as a working capital fund. Such fund may be used by the Association for such purposes as the Board may deem desirable. Such amount paid into the fund shall not be considered advance payment of annual assessments.

(b) Payment by Dwelling Unit Purchasers. From and after the date hereof, at the time of closing of the sale of each Lot by Builder to a third party purchaser, a sum equal to two months annual assessments for the Lot shall be collected from the purchaser of such Lot and transferred to the Association to be held as a working capital fund. Such amounts paid into the fund shall not be considered advance payment of annual assessments and may be used by the Association for such purposes as the Board may deem desirable. Such amounts shall be paid in addition to the amount described in Subsection (a) above.

Section 13. Subordination of the Lien to Mortgages. All liens against a Lot or Dwelling Unit provided for herein shall be subordinate and inferior to the lien of any mortgage or deed of trust on such Lot or Dwelling Unit. Except as otherwise provided herein, sale of or transfer of title to any Lot shall not affect the liens against such Lot or Dwelling Unit established by this Declaration; provided, however, the sale of or transfer of title to any Lot or Dwelling Unit which is subject to any such mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish all such liens with respect to all payments that became due prior to such sale or transfer. No such sale or transfer shall relieve

such Lot or Dwelling Unit from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any mortgage or deed of trust on the Lot or Dwelling Unit. Failure to pay assessments shall not constitute a default under any insured mortgage.

Section 14. Exempt Property. All Common Area, Dedicated Common Area, Sub-Community Property and real property owned by governmental entities shall be exempt from the assessments and liens for same created herein.

Section 15. Additional Assessments. Declarant reserves the right, by recordation of Supplemental Declarations, Additional Declarations or other documents, to subject Lots or Dwelling Units located in one or more phases or sections in the Development to provisions requiring the Owners thereof to pay additional annual and special assessments to the Association, or to an owners association established under an Additional Declaration, for the construction, repair, maintenance, alteration and replacement of, and addition to, Sub-Community Property including, without limitation, any one or more of the following: (i) private streets; (ii) specialized subdivision entrances or other features; (iii) specialized subdivision landscaping features; and (iv) exterior maintenance of Dwelling Units.

All of the provisions of this Declaration relating to annual and special assessments shall apply to the additional annual and special assessments, with the following exceptions: (i) the maximum additional annual assessment for Lots or Dwelling Units in any phase or section of the Development that contains Sub-Community Property shall be set forth in a Supplemental Declaration; (ii) the actual additional annual and special assessments may vary from phase to phase or from section to section of the Development; (iii) where a vote of Members is required with respect to Sub-Community Property, only those Owners who own Lots or Dwelling Units in the phase or section of the Development to which such Sub-Community Property relates shall be entitled to vote on such matters; and (iv) the additional annual and special assessments for Lots or Dwelling Units in any particular phase or section of the Development shall be used exclusively in connection with the Sub-Community Property associated with that phase or section of the Development.

Section 16. Loan to Association. If the Association budget were initially established at a level that would pay all Common Expenses, the annual assessment for each Lot would be in an amount far in excess of what would be reasonable for comparable subdivisions. Therefore, it is anticipated that until Declarant has sold a certain number of Lots (which number has not yet been determined, and which number is referred to herein as the "Break-even Number"), the annual assessments collected by the Association, together with Builder contributions to the Working Capital Fund, will not be sufficient to pay all Common Expenses on a current basis, but that the anticipated annual assessments collected after the Break-even Number of Lots has been sold will exceed Common Expenses. To fund this shortfall, Declarant reserves the right, but is not obligated, to make an interest free loan (the "Assessment Loan") to the Association, as provided below, until cash flow from the annual assessments is sufficient to pay Common Expenses. If Declarant elects to make the Assessment Loan, then Declarant shall advance to the

Association from time to time the amount by which the Common Expenses exceed the annual assessments collected, together with actual Builder contributions to the Working Capital Fund. The Association shall have the affirmative obligation to repay the Assessment Loan to the Declarant in accordance with the terms of this Section 16. The Association shall use proceeds advanced to the Association to pay the above described shortfall in Common Expenses. The Association shall repay the loan to Declarant in monthly installments beginning on the first day of the first month following the month in which sales of Lots reach the Break-even Number, until the balance of the Assessment Loan has been repaid to Declarant; provided, however, Declarant may, in its sole discretion, require the Association to repay each advancement by Declarant of Assessment Loan funds to Declarant within three (3) years following such advancement. Each buyer of a Lot, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, is hereby deemed to covenant and agree (and such covenant further shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot or Dwelling Unit), that such an Assessment Loan is reasonable and was made by Declarant and accepted by the Association in good faith and at arm's length.

ARTICLE VI

GENERAL POWERS AND DUTIES OF THE ASSOCIATION

Section 1. Powers and Duties of the Board. The Association, acting through its Board, for the mutual benefit of the Owners of the Association, shall have the following powers and duties:

(a) The Association shall be responsible for the improvement, repair, replacement, use, operation and Maintenance of the Common Area (including without limitation the Recreational Common Area) and the Landscaped Rights-of-Way as provided in this Declaration, including, but not limited to, removal of litter, planting, mowing, pruning, fertilizing, preservation and replacement of the vegetation and landscaping in, and the upkeep and maintenance of sidewalks, sprinklers, sprinkler pumps, wells, signs, lighting, planting boxes and other equipment, apparatus and improvements located in, the Common Area (including without limitation the Recreational Common Area), the Landscaped Rights-of-Way or located in easements granted to or reserved by the Declarant or the Association. With respect to the Landscaped Rights-of-Way, the foregoing responsibility is to such extent as required by the Town of Indian Trail and beyond such requirements as the Board may determine in its sole discretion and as approved by the Town of Indian Trail, with consideration given to the extent to which any governmental entity may be responsible for or may be carrying out Maintenance of same.

(b) The Association is empowered to enter into agreements with the appropriate governmental authorities to enable the Association to Maintain the Common Area, the Landscaped Rights-of-Way or any portions thereof;

(c) The Association is empowered to make reasonable rules and regulations for the use and operation of the Common Area, and to amend them from time to time; provided that any rule or regulation may be amended or repealed by an instrument in writing signed by the Members possessing seventy-five percent (75%) or more of the Voting Power; provided further, prior to that date which is twenty (20) years after the recording of this Declaration, any such amendment must also be approved by Declarant before it may become effective;

(d) The Association is empowered to enter into agreements or contracts with utility companies with respect to utility installation, consumption and service matters relating to the Common Area, the Landscaped Rights-of-Way and the Association;

(e) To grant all necessary easements and rights-of-way over and across the Common Areas when in its sole discretion it deems such an action to be necessary and appropriate, including, but not limited to, easements for the installation and maintenance of electrical, telephone, cablevision, water, sewerage and other utilities and drainage facilities; provided, however, until that date which is twenty (20) years after the date of recordation of this Declaration, the Board may not grant such an easement or right-of-way without the prior written approval of Declarant;

(f) The Association shall Maintain the Landscaped Rights-of-Way, including any medians or islands, which shall be a Common Expense of the Association. Such area(s) shall remain neat, clean, attractive and safe. Damaged, unsafe, or dead plants must be removed by the Association. Neither the Town of Indian Trail or State of North Carolina will be liable for any accidents or damage caused by such encroachment within the right(s) of way and the Association shall hold harmless the public and indemnify the Town of Indian Trail and the State of North Carolina from such liability;

(g) The Association is empowered to enter into contracts to maintain one or more bank accounts, and, generally, to have all the powers necessary or incidental to the operation and management of the Association;

(h) The Association is empowered to sue or defend in any court of law on behalf of the Association, and to employ attorneys and other necessary professionals in connection therewith;

(i) The Association shall, to the extent determined by the Board, provide adequate reserves for repairs and replacements of Common Area, Landscaped Rights-of-Way, landscape and easement areas shown on recorded plats of the Development;

(j) The Association shall make available to each Member making written request therefor an annual financial report and, upon the written request of the Members possessing seventy-five percent (75%) or more of the Voting Power, to have such report audited (at the

expense of the Association) by an independent certified public accountant, which audited report shall be made available to each Member making written request therefor;

(k) The Association shall make available for inspection by Owners and holders of first lien mortgages or deeds of trust secured by Lots or Dwelling Units, upon reasonable request and during normal business hours, current copies of this Declaration and all Supplemental Declarations, the Bylaws, the rules, regulations, and architectural standards of the Association, and the books, records and financial statements of the Association;

(l) The Association is empowered to adjust the amount, collect, and use any insurance proceeds to repair damage to or replace Common Property; and if proceeds are insufficient to repair damage to or replace Common Property, to levy special assessments (in the manner provided herein) to cover the deficiency;

(m) The Association is empowered to exercise all powers, duties and authority vested in or delegated to the Association by this Declaration, the Bylaws, or the Articles and not reserved to the Members or Declarant by other provisions of this Declaration, the Bylaws or the Articles;

(n) The Association is empowered to employ a manager or firm to manage the business and property of the Association, and to employ independent contractors or other employees as the Board may deem necessary;

(o) The Association is empowered to retain the services of legal and accounting firms;

(p) The Association is empowered to administer and enforce the provisions of this Declaration and any rules made hereunder and to enjoin and/or, in its discretion, seek damages or other relief from any Owner for violation of such provisions or rules;

(q) The Association is empowered to contract with any third party or any Owner (including, without limitation, Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms hereof, such contracts to be at competitive rates and otherwise upon such terms and conditions, and for such consideration as the Board may deem proper, advisable and in the best interest of the Association. Whenever possible, all such contracts shall be made terminable without cause upon sixty (60) days prior written notice;

(r) The Association shall establish the amount of and provide for the collection of annual, special, emergency and individual assessments as provided for in this Declaration.

(s) The Association is empowered to establish from time to time the tax status of the Association for federal and State of North Carolina income tax purposes, as determined by the Board to be in the best interests of the Association.

(t) The Association is empowered to contract with other nonprofit corporations or associations which exist for purposes substantially similar to those for which the Association exists with respect to the acquisition of lease or use of, and improvement, repair or maintenance of property owned by such corporation or association.

(u) The Association is empowered to take any and all other actions and to enter into any and all other agreements as may be necessary or proper for the fulfillment of its obligations hereunder, for the operational protection of the Association and for the implementation and enforcement of the terms, covenants, conditions and restrictions contained in this Declaration or in any Supplemental Declaration.

Section 2. Liability Limitations. Neither Declarant, nor any Member, the Board, any director on the Board, nor any officer or member of Declarant or the Association shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Member, whether or not such other Member was acting on behalf of the Association or otherwise. Neither Declarant or the Association, nor any of the directors, officers, agents or employees of either shall be liable for any incidental or consequential damages for failure to inspect any property, premises, Improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Association or any other Person liable to make such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portions thereof. The Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Board and all members of the Architectural Control Committee and other committees appointed by the Board from and against any and all loss, cost, expense, damage, liability, action or cause of action arising from or relating to the performance by the Board and such Architectural Control Committee and other committees of their duties and obligations except for any such loss, cost, expense, damage, liability, action or cause of action resulting from the gross negligence or willful misconduct of the Owner or person(s) to be indemnified; provided, however, that such Owner shall not be indemnified as to any liability arising from his/her status as an Owner, but only as to liabilities arising out of serving on the Board and or Architectural Control Committee.

ARTICLE VII

INSURANCE: REPAIR AND RESTORATION

Section 1. Right to Purchase Insurance. The Association shall purchase, carry and maintain in force insurance covering all of the Common Area (including without limitation the Recreational Common Area), Landscaped Rights-of-Way and any improvements thereon or appurtenant thereto and any other property of the Association, for the interest of the Association, the Board, its agents and employees, Declarant and its officers and employees, and of all Members of the Association, in such amounts and with such endorsements and coverage

as the Board shall consider to be good, sound insurance coverage for similar properties. Such insurance may include, but need not be limited to:

(a) comprehensive public liability and property damage (hazard) insurance on a broad form basis with respect to the Common Area (including all Improvements within the Recreational Common Area) and/or Landscaped Rights-of-Way with coverage of at least One Million and No/100 Dollars (\$1,000,000.00) for public liability and in an amount of at least eighty percent (80%) of replacement cost coverage for hazard insurance;

(b) coverage for the personal liability (if any) of the Declarant (and its members, officers, agents, employees and servants), the Board (and the individual members thereof), the officers of the Association, the Architectural Control Committee and other committees appointed by the Board, the Owners and Members;

(c) Fidelity bond for all officers and employees of the Association and other Persons having control over the receipt of disbursement of Association funds; and

(d) Worker's compensation insurance to the extent necessary to comply with applicable laws.

Section 2. Insurance Proceeds. Subject to any limitations imposed by any applicable financing documents, the Association shall use the net proceeds of casualty insurance recovered to repair and/or replace any damage or destruction of property, real or personal, covered by such insurance. Any balance from the proceeds of casualty insurance paid to the Association remaining after satisfactory completion of repair and replacement shall be retained by the Association as part of the general reserve fund for repair and replacement of the Common Area and/or Landscaped Rights-of-Way.

Section 3. Insufficient Proceeds. If the insurance proceeds are insufficient to repair or replace any loss or damage, the Association may levy a special assessment in the manner provided for in this Declaration, to cover the deficiency.

ARTICLE VIII

USE OF LOTS AND COMMON AREA - PROTECTIVE COVENANTS

Section 1. Land Use And Building Type. Each Lot shall be used exclusively for single-family, non-transient residential purposes. Except as otherwise allowed by the terms of this Declaration, no building or other structure shall be constructed, placed or allowed to remain on a Lot except one single-family attached or detached private dwelling, an attached or detached garage serving said dwelling, and/or a detached pump house serving a swimming pool on a Lot, with all of the foregoing meeting the requirements contained in this Declaration, including approval by the Architectural Control Committee; provided, however, all buildings

and other structures that have been previously constructed and are being currently constructed by Mercedes Homes shall be deemed to have been approved as herein set forth; and provided further, that all future structures constructed by Mercedes Homes shall be deemed to have been approved so long as such structures are substantially similar to those currently existing in Taylor Glenn previously constructed by Mercedes Homes. Except as otherwise provided herein, no business activity or trade of any kind (other than activities related to development of the Development by Declarant, installation and maintenance work by utility providers and Persons responsible for street maintenance, construction, alteration, repair, improvement, maintenance or replacement of a single-family residence, or improvement or maintenance of a Lot or Dwelling Unit) shall be conducted on any Lot or within any Dwelling Unit, except that an Owner residing in a Dwelling Unit on a Lot may conduct business activities within the Dwelling Unit as long as (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (b) the business activity conforms to all zoning requirements for the Property; (c) the business activity does not involve persons coming onto the Property who do not reside in the Property or door to door solicitation of residents of the Property; and (d) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, a hazardous or offensive use or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board. The term "business" and "trade" as used in this Section, shall be construed to have the ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether such activity is engaged in full or part time; such activity is intended or does generate a profit; or a license is required therefor. Provided, however, and notwithstanding anything to the contrary that may appear herein: (i) Declarant, Declarant's agent, or any Builder, subject to Declarant's approval, shall be permitted to erect and maintain sales offices, model homes and temporary construction or sales trailers or offices on any Lot or other tract of land owned by Declarant or such Builder for the purpose of carrying on business related to the development, improvement and sale of Lots and the construction of single-family residences or Dwelling Units within the Property. Provided, however, any such sales office, model home and temporary construction or sales trailer or office must be specifically approved by Declarant and must comply with all applicable governmental laws and regulations; and (ii) Declarant and any Person authorized by Declarant may conduct such business activities on any Lot or other tract of land within the Development as may be necessary in connection with Declarant's development and/or sales of any part or all of the Property. There is also reserved, unto Declarant and any Builder (provided such Builder obtains the prior approval of Declarant as provided above), their agents, successors, assigns and prospective purchasers and tenants, the right of ingress, egress and transient parking in and through the Property for such sales purposes.

Section 2. Obstructions, etc. There shall be no obstruction of the Common Area, nor shall anything be kept, stored, altered, constructed or planted in or on the Common Area, or removed therefrom, without the prior consent of the Association. Provided, however,

Declarant, the Association, and Builders (provided that such Builders have obtained the approval of Declarant or the Association) shall have the right to install, place, repair, replace and maintain signs in the Common Area; and Declarant and the Association shall have the right to install, maintain, repair and replace in the Common Area such materials, equipment and other apparatus as may be necessary to enable the Association to carry out its powers and duties under this Declaration.

Section 3. Restricted Actions by Owners. No Owner shall permit anything to be done or kept on such Owner's Lot or Dwelling Unit or in the Common Area which will result in the cancellation of or increase in cost of any insurance carried by the Association, or which would be in violation of any law or any rule or regulation established by the Association. No waste shall be committed in the Common Area, except as may be necessary to enable Declarant or the Association to exercise any rights reserved to them hereunder or except as may be necessary to enable the Association to carry out its powers and duties hereunder. Each Owner shall comply with all applicable laws, regulations, ordinances (including, without limitation, zoning ordinances) and other governmental rules and restrictions in regard to such Owner's Lot(s) or Dwelling Unit(s) and the Common Area, and shall do so notwithstanding any attempted waiver or approval given by the Declarant or Architectural Control Committee under the terms of this Declaration.

Section 4. Nuisance and Other Matters No noxious or offensive activity shall be conducted upon any Lot or Dwelling Unit nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. No trade materials or inventories (other than materials used for construction of dwellings or other approved structures on the Lots or Dwelling Units) may be stored upon any Lot or Dwelling Unit and no tractors, inoperable motor vehicles, rubbish, trash, or unsightly materials of any kind may be stored, regularly placed, or allowed to remain on any Lot or Dwelling Unit (except that trash, leaves, tree limbs, materials for recycling pick-up and similar items may be kept or placed on a Lot or Dwelling Unit temporarily and only for such time as is reasonably necessary to enable the appropriate Governmental or private entity to remove same from the Lot or Dwelling Unit, or such materials may be kept on a Lot or Dwelling Unit for use as a compost [provided that such materials used for this purpose are neatly kept and are screened from view from any adjoining Lot, Dwelling Unit or street as approved by the Architectural Control Committee] and inoperable motor vehicles may be stored on a Lot or Dwelling Unit if the same are kept in an enclosed garage). Provided, however, trucks and/or other construction vehicles, materials and equipment may be allowed to remain on the Property temporarily during construction of roads, utilities and other improvements within the Property and during construction on a Lot of a single-family residential dwelling or a Dwelling Unit and/or other Improvements which have been approved for construction by Declarant or the Architectural Control Committee established by this Declaration (the temporary nature of the foregoing to be determined by the Declarant or by the Association or the Architectural Control Committee, when such right has been assigned by the Declarant to the Association or the Architectural Control Committee). Notwithstanding the foregoing, no vehicle of any type or size which transports inflammatory or explosive cargo or which stores or transports materials or substances defined as hazardous or

toxic by any applicable environmental laws of any governmental entity having jurisdiction over the Property may be kept or allowed to remain in or on the Property at any time, except as may be required to effectuate removal of such prohibited materials and substances, unless the presence of such vehicle must be allowed on a public street under any applicable governmental regulations.

No potentially hazardous or toxic materials or substances shall be used or stored on any Lot other than normal household, lawn, pool, and garden products which shall be used by Owner in a manner not to permit spills or runoff of such materials onto the Lot, adjacent lots or property, Common Area, Sub-Community Property, wetlands area, ponds or buffers. No activity shall be allowed which violates local, state or federal laws or regulations; provided however, the Board shall have no obligation to take enforcement action in the event of a violation.

Section 5. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any portion of the Property or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes, that they do not create a nuisance (in the judgment of the Board), such as, but without limitation, by number, noise, odor, damage or destruction of property or refuse, and further provided that they are kept and maintained in compliance with (i) all laws and ordinances of the State of North Carolina, the County of Union or other applicable governmental entity relating thereto; and (ii) such rules and regulations pertaining thereto as the Board may adopt from time to time. In no event shall more than three dogs and/or three cats be regularly kept on any Lot or in any Dwelling Unit, except for newborn offspring of household pets which are under nine (9) months in age. Notwithstanding the foregoing, the Association shall have the right to prohibit, or require the removal of, any dog or animal, which after consideration of factors such as size, breed and disposition of the animal, interference by the animal with the peaceful enjoyment by other Owners of their Lots and the security measures taken by the Owner with respect to such animal, the Association, in its sole discretion, deems to be undesirable, a nuisance or a safety hazard. Every person owning or having possession, charge, care, custody or control of any dog shall keep such dog exclusively upon his own Lot; provided, however, that such dog may be off the Lot if it is under the control of a competent person and restrained by a chain, leash or other means of adequate physical control.

Section 6. Signs. No sign of any kind shall be displayed to the public view on any Lot or Dwelling Unit except for signs which are approved by Declarant (or by the Board upon termination of the Class B Membership) and which are for one or more of the following purposes: (i) advertising the Lot or Dwelling Unit for sale or rent; (ii) advertising the building contractor constructing improvements on the Lot or Dwelling Unit during the initial construction and sales period; (iii) identifying the sales office and/or model home of a Builder who owns the Lot or Dwelling Unit; (iv) identifying the subdivision or phase name and/or identifying the Lot number of a Lot or Unit number of a Dwelling Unit; and (v) any other purpose approved by the Declarant (or by the Board after the Class B membership terminates); provided however, the foregoing limitations shall not act to restrict or prohibit Declarant or the

Association or any applicable governmental entity from erecting, maintaining, repairing and replacing (and Declarant hereby reserves for itself, the Association and such governmental entities the right to erect, maintain, repair and replace) on a Lot, Dwelling Unit or on the Common Area, Landscaped Rights-of-Way, and in any easements reserved or granted for such purposes, signs and billboards advertising the Property, the Development or portions of either, or signs identifying various phases of the Development, or regulatory, street and directional signs; and provided further, all signs previously erected by Mercedes Homes shall be deemed to have been approved as herein set forth, and all future signs erected by Mercedes Homes shall be deemed to have been approved so long as such signs are substantially similar to those currently existing in Taylor Glenn previously erected by Mercedes Homes. Notwithstanding the foregoing, all signs erected and maintained on any Lot must conform with all applicable governmental requirements.

Section 7. Attachments. No permanent attachments of any kind or character whatsoever shall be made to the roof or exterior walls of any Dwelling Unit or residence on a Lot, unless such attachments shall have been first submitted to and approved by the Architectural Control Committee; provided, however, "Reception Devices" (as defined in Article VIII, Section 17 herein) may be attached to the roof or exterior wall of a Dwelling Unit without approval by the Architectural Control Committee. No outdoor clotheslines shall be allowed on any Dwelling Unit or Lot.

Section 8. Damage to the Common Area. Each Owner shall be liable to the Association for any damage to the Common Area, and/or Landscaped Rights-of-Way caused by the negligence or willful misconduct of the Owner or such Owner's family members, tenants, guests, or invitees.

Section 9. Rules of the Association. All Owners and occupants of Lots or Dwelling Units shall abide by all rules and regulations adopted by the Association from time to time. The Board and the Declarant for so long as there remains a Class B Membership shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined by judicial action to have violated said rules and regulations shall be liable to the Association and/or the Declarant for all damages and costs, including attorneys' fees.

Section 10. Boats and other Recreational Vehicles. Neither a motorboat, houseboat or other similar waterborne vehicle, nor any airplane, nor any travel trailers, other trailers, or "camper" vehicles may be maintained, stored or kept on any portion of the Property, except in (i) enclosed garages or (ii) in area(s) specifically approved and with screens or covers as specifically approved by the Declarant or Architectural Control Committee (in the absence of approval or disapproval by Declarant).

Section 11. Outbuildings. No storage building or other outbuildings of any kind (excluding detached garages as are approved by the Architectural Control Committee) shall be erected, placed or allowed to remain on any Lot except those which are incidental to a

swimming pool located on a Lot, are constructed of the same or substantially identical materials as the residential dwelling on the Lot, are architecturally compatible with the residential dwelling on the Lot (as determined by the Architectural Control Committee), are located no closer to the front boundary line of the Lot than the rear wall of the single-family residence located on the Lot and no closer to any side boundary line of a Lot than the applicable building setback requirements, and which have otherwise been approved by the Architectural Control Committee.

Section 12. On-Street Parking. The Owner of each Lot which is a detached single family Lot shall provide for adequate parking space on the Lot for vehicles of all types and all other apparatus designed for movement over and upon streets or highways (whether self-propelled or not) and regularly used by the residents of the single-family residence on the Lot. No automobiles, trucks, vans, travel trailers, other trailers or any other apparatus designed for movement over and upon streets or highways (whether self-propelled or not) shall be regularly parked on the streets within or adjoining the Property, and motor vehicles licensed to carry more than two (2) tons shall not be permitted to park overnight or regularly on the streets, driveways or otherwise within the Property, except that Declarant until termination of its Class B Membership and the Board thereafter may allow such parking, by any such vehicles used in connection with the construction of improvements within the Property. In addition and supplemental to the prohibitions on parking set forth in this Declaration, the Board (and the Architectural Control Committee) are empowered to promulgate and enforce rules and regulations relating to parking on the streets within or adjoining the Property. Notwithstanding the foregoing, it is hereby disclosed and acknowledged that the Town of Indian Trail or other governmental authorities have certain jurisdiction over public streets in the Subdivision, and that the prohibitions and restrictions set forth in this Section may not be capable of being enforced due to the policies of the Town of Indian Trail or other governmental authority, and may not be capable of being enforced against parties who are not members of the Association or their tenants.

Section 13. No Temporary Structure. No structure of a temporary character, such as a trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Lot at any time as a residence, either temporarily or permanently.

Section 14. Landscaping. Except for the single-family residence, driveways, sidewalks and other Improvements on each Lot or Dwelling Unit, the surface of each Lot shall be of undisturbed areas left in their natural state or grass or other live foliage or areas covered with pine straw and/or other ground cover approved by the Architectural Control Committee, and such natural areas, grass foliage, pine straw and ground cover shall be neatly maintained at all times. No trees may be removed from any Lot without the written approval of the Architectural Control Committee except those trees which are dead, dying, diseased or damaged, or trees that pose a safety hazard.

Section 15. Fences and Walls. Any fence extending from the rear corner of the Dwelling Unit to the front corner of the property line shall not exceed three and one-half (3.5)

feet in height unless otherwise specifically required by governmental authorities having jurisdiction, and any fence extending from the rear corner of the Dwelling Unit to the rear corner of the property line shall not exceed six (6) feet in height unless otherwise specifically required by governmental authorities having jurisdiction. All fences on Lots shall be maintained at all times in a structurally sound and attractive manner and in a good state of repair. All fences on Lots shall be of stucco, stone, brick, vinyl or material approved by the Declarant (or the Board, when the right to appoint the Architectural Control Committee has been assigned to the Board) and no fence shall be constructed, placed or allowed to remain on any Lot until the Owner thereof has obtained approval for such fence from the Architectural Control Committee. Notwithstanding anything herein to the contrary, any fence existing at the time of filing of this Declaration which was constructed in compliance with the Existing Declaration shall be in compliance with this Declaration.

Section 16. Sight Line Limitations. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two and six feet above roadways shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street property lines and a line connecting them at a point twenty (20) feet from the intersection of the street lines, or in the case of a rounded property corner, from the intersection of the street property lines extended. The same sight line limitations shall apply on any Lot within ten (10) feet from the intersection of a street property line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within the foregoing distances of such intersection unless the foliage line is maintained at sufficient height to prevent obstruction of sight lines. Declarant reserves the right to waive the foregoing requirements with respect to portions of any Lots that also are considered Common Area or contain Common Property.

Section 17. Antennae. No exterior antennae, earth satellite station, microwave dish or other similar improvements may be constructed, placed, maintained or allowed to remain on any Lot or Dwelling Unit (or on any Improvement) other than a "Reception Device." As used herein, a Reception Device shall refer to a satellite dish or other device designed to receive video programming or antenna designed to receive over-the-air broadcast signals from local television stations. The use of a Reception Device is allowed, but will be limited as follows: (i) a Reception Device one meter or smaller in diameter is allowed, and Reception Devices larger than one meter are prohibited; (ii) Reception Devices must be installed on the Dwelling Unit in an inconspicuous location (so long as the quality of reception is not impaired); (iii) for safety purposes, no Reception Device may be installed that would extend higher than twelve (12) feet above the roofline of the Dwelling Unit without approval from the Architectural Control Committee; (iv) for safety purposes, Reception Devices shall not be installed closer to an adjacent Dwelling Unit than the total height of the Reception Device; (v) the Owner of the Dwelling Unit upon which the Reception Device is located shall be solely responsible for the maintenance, repair, upkeep and all other costs associated with the Reception Device, including any medical expenses incurred by any person injured by the use of such Reception Device; and (vi) the Reception Device should be painted an appropriate color to match the surrounding environment if it would not unreasonably increase the cost of the Reception Device or impair the Owner's ability to install, maintain or use the Reception Device. If any provision of this

Section 17 is found to be invalid, the remainder of these provisions shall remain in full force and effect.

Section 18. Gas Meters. No gas meters shall be set in the front of a residence on a Lot or Dwelling Unit unless such meter is of an underground type or is screened in a manner approved by the Architectural Control Committee.

Section 19. Utility Yards. Each utility yard shall be walled or fenced or otherwise screened from view by landscaping features or other methods as approved by the Architectural Control Committee. The following buildings, structures and objects may be constructed or placed on a Lot and allowed to remain on a Lot only if the same are located wholly inside the single-family residence or garage on the Lot or wholly within a utility yard located on the Lot: pens, yards and houses for pets; above ground garbage and trash cans or receptacles (unless by applicable governmental law or regulation the same must be located elsewhere); and all other buildings, structures and objects determined by the Architectural Control Committee to be of a similar nature to the foregoing items or determined by the Architectural Control Committee to be of an unsightly nature or appearance.

Section 20. Mailboxes. All mailboxes, unless attached to the residence on a Lot (which attachment either must be approved by the Architectural Control Committee or otherwise required by applicable governmental law or regulation or by the United States Postal Service or successor agency) shall be affixed to a substantial pole or stand permanently placed in the ground and shall not be located within a sidewalk. Architectural guidelines with respect to mailboxes may require, prohibit, restrict or specify one or more of the following: method and type of support; style; material; color; size; height; and one or more of the foregoing with respect to the numbering and/or lettering to be placed on a mailbox or affixed thereto.

Section 21. Utilities. Except as otherwise specifically approved by the Architectural Control Committee, all electric, telephone, water and sewer, natural gas and cable television utilities and utility connections serving individual Lots or Dwelling Units shall be located underground or screened in such manner as is approved by the Architectural Control Committee. Transformers, electric, gas or other meters of any type, or other utility apparatus shall be contained within the buildings constructed on Lots or buildings containing Dwelling Units or, if adequately screened in a manner approved by the Architectural Control Committee, the same may be located on the exterior of buildings.

No septic tank shall be installed, used or maintained on any Lot or Dwelling Unit. No well or individual water supply system shall be installed, used or maintained on any Lot or Dwelling Unit for human domestic water consumption nor shall any well be connected in any manner whatsoever to the water mains, laterals or piping serving the residence which furnish domestic water from sources beyond the boundary lines of the Lot or boundaries of a Dwelling Unit. Notwithstanding the foregoing prohibition, the Architectural Control Committee may permit in writing the installation, use and maintenance of wells and pumps for irrigation purposes or ground water heat pump systems.

Section 22. Minimum Square Footage. The minimum square footage for any main residence constructed on any Lot shall be as approved by the Architectural Control Committee in accordance with the Architectural and Landscape Guidelines; provided, however, all residences that have been previously constructed and are being currently constructed by Mercedes Homes shall be deemed to have been approved as herein set forth, and provided further, that all future residences constructed by Mercedes Homes shall be deemed to have been approved so long as such residences are substantially similar to those currently existing in Taylor Glenn previously constructed by Mercedes Homes.

Section 23. Building Setback Distances. The main residence on each Lot shall not be located on any Lot nearer to the Lot boundary lines than the building setback lines established on the recorded plat for such Lot. Nothing herein shall prohibit a townhome residence from being located on the boundary lines of a Lot.

Declarant for so long as there is a Class B Membership, and thereafter the Architectural Control Committee reserves the right at any time and from time to time to grant minor variances from and/or waive minor violations of the foregoing setback requirements (and, subject to approval of the Town of Indian Trail or other applicable governmental entity having jurisdiction), to waive violations or grant variances from any setback requirements shown on any recorded plat of Lots in the Development, such variances or waivers to be in writing. Variances or waivers not in excess of twenty percent (20%) of the applicable requirement are deemed to be minor. Notwithstanding the foregoing, if any minimum setback distance specified herein is different from any minimum setback distance shown on any recorded plat of any part or all of the Property, the greater distance shall be controlling with respect to the Lot or Lots affected thereby. Notwithstanding the foregoing, no waiver or variance may vary or waive the setback requirements of the Town of Indian Trail or other applicable governmental entity.

For the purpose of determining the foregoing building setback distances under this Declaration, eaves, steps, stoops, open and screened-in porches, overhangs, bay windows, decks, patios, terraces and chimneys shall not be considered as a part of the main dwelling house, but the location of such Improvements on a Lot shall be subject to the architectural control and approval provisions applicable to the Lots subject to this Declaration. Provided, notwithstanding anything to the contrary that may appear herein, no dwelling or other improvement on a Lot shall encroach upon another Lot except as provided in Additional Declarations for Sections of the Development containing townhome Dwelling Units. Should any question arise under this Declaration as to whether or not any portion of the main dwelling house (other than the foregoing items specified as not being part of the main dwelling house) should be considered as part of the main dwelling house for the purpose of determining the foregoing building setback distances, or should any question arise as to what constitutes the front, side or rear property line of any Lot for the purposes of the required setback distances set forth in this Declaration, the Architectural Control Committee shall have the authority to make such determination and the decision of the Architectural Control Committee shall be final.

With respect to Declarant's rights to grant variances or waivers of square footage and building setback requirements, these rights are reserved to provide a method to grant relief from inadvertent violations and to afford an opportunity to address special, unusual or unique circumstances that may apply to any particular Lot (such as, for example, difficult topographical circumstances or unusual soil conditions). However, it is the specific intention of the Declarant that the exercise of such rights by Declarant not impair or destroy the rights of the Declarant, the Association or the Owners to enforce the provisions of this Declaration (subject to any such variance or waiver granted by Declarant), and that the exercise of such rights by Declarant not convert this Declaration from a real covenant running with the Property and binding on all present and future Owners of any part or all of the Property into a mere personal covenant enforceable only by the Declarant.

Furthermore, with respect to Additional Property subjected to this Declaration, Declarant reserves the right to establish different minimum square footage and building setback requirements as Declarant determines in its sole discretion may be necessary to accommodate different sizes of lots, different types and sizes of single-family residences, and different marketing conditions from what exists or has existed in other phases or sections of the Development.

Section 24. Exterior Materials. The exterior materials of each building constructed, altered or placed on a Lot and all roofs shall be as approved by the Architectural Control Committee in accordance with the Architectural and Landscape Guidelines.

Section 25. Recreational and Other Equipment.

(a) No recreational equipment (including, but not limited to, basketball backboards and hoops, trampolines, swing sets, treehouses, children's climbing or play apparatus and other equipment associated with either adult or juvenile leisure or recreation) shall be attached to any Dwelling Unit or otherwise placed or kept on any Lot, except in accordance with the requirements as set forth in the Architectural and Landscape Guidelines.

(b) Children's play toys and other moveable equipment of any type (such as lawn mowers, garden tools, etc.) shall not remain repeatedly overnight within any front yard of any Lot or Dwelling Unit or within the side yards of any Lot or Dwelling Unit located on a Roadway corner, in such number or for such a long period of time as to create a continuing, unsightly condition.

Section 26. Vegetable Gardens. Vegetable gardens shall not be permitted on any Lot unless placed in the rear portion of such Lot in such a manner as not to constitute a nuisance or unsightly condition to any adjoining Owners.

Section 27. Lawn Furniture and Statues. No lawn furniture or decorative items, such as statuettes or renderings of animate or inanimate objects, shall be maintained in the front or

side yards of any Lot or Dwelling Unit unless shielded from view by landscaping, a fence or a wall approved in advance in writing by the Architectural Control Committee.

Section 28. Restricted Activities Regarding Lakes and Ponds. The Property will contain one or more lakes or ponds which may or may not be Common Area. With respect to construction of a Dwelling Unit or any Improvements on any Lot that abuts a lake or pond, a silt fence or barrier shall be placed across each such Dwelling Unit or Lot during the construction of any Improvements thereon in such manner as to protect the lake or pond from soil erosion and silt. Such fence or barrier shall be constructed prior to the commencement of any construction of Improvements, including clearing or grading, and shall remain in place until such time as the said Dwelling Unit or Lot has been landscaped or stabilized in a manner that will protect the lake or pond from soil erosion and silt. No pesticides or other toxic, hazardous or harmful chemicals shall be used for any purposes whatsoever within thirty (30) feet of any lake or pond. Any such chemicals used or applied more than thirty (30) feet from any lake or pond shall be used or applied so as to prevent the spread or dissemination of such chemicals into the lake or pond. No piers, jetties, docks, boat houses, storage facilities or other similar structures shall be constructed or located on or in any portion of the lake or pond. No boats or other floating vessels shall be permitted in or on any portion of the lake or pond. No Person shall be allowed to swim, fish or engage in any other recreational activities within any lake or pond.

Section 29. Occupants Bound. All provisions of this Declaration, any Additional Declaration, the Bylaws and any and all rules and regulations, use restrictions or Architectural and Landscape Guidelines promulgated pursuant hereto or thereto which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all occupants even though occupants are not specifically mentioned.

Section 30. Governmental Requirements. Nothing herein contained shall be deemed to constitute a waiver of any governmental requirements applicable to any Lot or Dwelling Unit and all applicable Town of Indian Trail or other governmental entity requirements or restrictions relative to the location or construction of Improvements on a Lot and/or use and utilization of any Lot or Dwelling Unit shall continue to be applicable and shall be complied with in regard to the Lots or Dwelling Units. Provided, that in any instance in which the provisions of this Declaration impose a more restrictive requirement than the applicable governmental requirements or restrictions, the provisions of this Declaration shall control.

ARTICLE IX

ARCHITECTURAL CONTROL

Section 1. General. Anything contained in this Declaration to the contrary notwithstanding, no construction of any Dwelling Unit, no site preparation on any Lot, no change in grade or slope of any Lot, no construction or placement of any building or exterior

additions or alterations to any building situated upon a Lot, no removal of trees (except dead, dying, diseased or damaged trees, or trees that pose a safety hazard), and no construction of or changes or additions to any other structure or Improvement on a Lot or Dwelling Unit shall be commenced nor shall any of the same be placed, maintained or allowed to remain, on any Lot or Dwelling Unit until the "Architectural Control Committee" (appointed as hereinafter provided) has approved the plans and specifications therefor and the location of such Improvements; provided, however, notwithstanding any other provision of this Declaration, all construction by Mercedes Homes shall be governed by the relevant provisions of Article VIII herein, and if in compliance with such provisions, shall be deemed to have been approved as set forth herein. The Architectural Control Committee shall have the right to charge a reasonable fee for the review of any such plans and specifications. In addition, for those plans and specifications submitted by Builders, the Architectural Control Committee may, in its sole discretion, simplify the submission process of plans and specifications as described herein, may waive any one or more requirements set forth in this Article IX, and may approve typical house plans for use on multiple Lots, instead of approving on a Lot by Lot basis.

Section 2. Composition. Through December 31, 2012, Declarant shall annually appoint the members of the Architectural Control Committee which will be composed of at least three (3) individuals (the exact number of members of the Architectural Control Committee to be designated by Declarant from time to time), each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a high level of taste and design standards within the Development. The initial members appointed by Declarant shall serve for the remainder of the one (1) calendar year in which they are appointed. Thereafter, the members so appointed are appointed to serve for the next succeeding calendar year. In the event of the death or resignation of any member of the Architectural Control Committee, Declarant, for so long as it has the authority to appoint the members of the Architectural Control Committee and thereafter, the Board, shall have full authority to designate and appoint a successor. Subsequent to December 31, 2012 (and earlier if Declarant specifically assigns this right to the Board), the Board shall designate the number of and appoint the members of the Architectural Control Committee. At any time and from time to time Declarant may assign to the Board its right to appoint members of the Architectural Control Committee.

The Declarant (and the Board when applicable), in its discretion, may at any time and from time to time appoint two separate Architectural Control Committees, one for the purpose of reviewing plans, specifications and site plans for initial Improvements to be constructed or placed on a Lot, and another to review plans, specifications and site plans for subsequent new Improvements and changes in and additions to existing Improvements on a Lot or Dwelling Unit, the specific division of such reviews to be as specified by the Declarant (or the Board when applicable). Each such Architectural Control Committee separately shall be subject to and shall comply with the provisions of this Declaration applicable to the Architectural Control Committee and the review of plans, specifications and site plans.

Section 3. Procedure. No exterior Improvement of any kind or nature shall be constructed, repaired, replaced, remodeled, placed or allowed to remain on any Lot or Dwelling Unit until all plans and specifications therefor and a site plan therefor have been submitted to and approved in writing by the Architectural Control Committee, as to:

(a) type of materials, adequacy of site dimensions and facing of main elevation with respect to nearby streets;

(b) conformity and harmony of the external design, color, type and appearance of exterior surfaces and compatibility with existing Improvements within the Property;

(c) location of the Improvement on a Lot or Dwelling Unit and effect of location and use on neighboring Lots and Dwelling Units and Improvements situated thereon;

(d) provisions for handling stormwater drainage;

(e) compliance with the provisions of this Declaration and compliance with any architectural guidelines that may be established from time to time by Declarant (or by the Board when the Board has the right to appoint the members of the Architectural Control Committee, or by the Architectural Control Committee, if such power is delegated to it by Declarant or the Board otherwise possessing such power).

Final plans and specifications for all Improvements proposed to be constructed on a Lot or Dwelling Unit shall be submitted to the Architectural Control Committee for approval or disapproval in such format and in such numbers or sets (not to exceed three) as the Architectural Control Committee may require. The Architectural Control Committee is authorized to request the submission of samples of proposed construction materials. At such time as the plans and specifications meet the approval of the Architectural Control Committee, at least one complete set of plans and specifications shall be retained by the Architectural Control Committee and another complete set of plans and specifications shall be marked "Approved" and returned to the lot Owner or such Owner's designated representative. If such plans and specifications are determined not to be in compliance with this Declaration, or if the same are otherwise unacceptable to the Architectural Control Committee because of inadequacy or noncompliance with respect to the provisions of this Section, one set of plans and specifications shall be returned to the lot Owner marked "Disapproved," accompanied by a reasonable statement of items found not to be in compliance with this Declaration or otherwise unacceptable. Any modification or change in the plans and specifications submitted to and approved by the Architectural Control Committee must again be submitted to the Architectural Control Committee for its inspection and approval in accordance with requirements established by the Architectural Control Committee. The Architectural Control Committee's approval or disapproval, as required herein, shall be in writing.

The Declarant (or the Board, when the Board has the right to appoint members of the Architectural Control Committee, or the Architectural Control Committee, when such power

has been delegated to it by the Declarant or the Board possessing such power), may from time to time adopt procedures for conducting the architectural reviews and other duties of the Architectural Control Committee, provided that such procedures do not conflict with the specific requirements of this Declaration.

The Declarant (or the Board, when the Board has the right to appoint members of the Architectural Control Committee, or the Architectural Control Committee, when such power has been delegated to it by the Declarant or the Board possessing such power) at any time and from time to time may establish architectural guidelines (the "Architectural and Landscape Guidelines") for one or more types of Improvements to be constructed on a Lot or Dwelling Unit, which guidelines shall be fair and reasonable, may from time to time be amended or revised, and shall carry forward the spirit and intention of this Declaration. Although the Architectural Control Committee shall not have unbridled discretion with respect to taste, design and any standards specified herein or in such guidelines, the Committee shall be responsive to technological advances or general changes in architectural designs and materials and related conditions in future years and use its best efforts to balance the equities between matters of taste and design (on the one hand) and use of private property (on the other hand). Subject to the specific terms and conditions of this Declaration, different architectural guidelines may be promulgated and applied to different phases within the Development. Such guidelines shall supplement, but not supersede, the provisions of this Declaration and may be more (but not less) restrictive than the specific provisions of this Declaration. Such guidelines may (but shall not be required to) include, but not be limited to, the following matters: construction specifications; signs; mailboxes; landscaping; and environmental matters. Provided, however, if there is a conflict between any such guideline and the specific provisions of this Declaration, any Supplemental Declaration, any Additional Declaration, or any recorded declaration of covenants, conditions and restrictions applicable to any phase or section in the Development, the provisions of this Declaration, such Supplemental Declaration, such Additional Declaration or such other recorded declaration shall control.

Section 4. Jurisdiction. In addition to the foregoing, the Architectural Control Committee is authorized and empowered to consider and review any and all aspects of the construction of any Improvements on a Lot or Dwelling Unit which may, in the reasonable opinion of the Architectural Control Committee, adversely affect the living enjoyment of one or more Owners or the general value of the Property or the Development.

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

Section 6. Failure of the Architectural Control Committee. If the Architectural Control Committee fails to approve or disapprove any plans, specifications and other submittals which conform with the requirements for such submittals established as provided

herein or to reject them as being inadequate or unacceptable within forty-five (45) days after submittal thereof to the Architectural Control Committee, and provided such submittal was a full and complete submittal of all items required by this Declaration and any applicable architectural guidelines to have been submitted to the Architectural Control Committee, it shall be conclusively presumed that the Architectural Control Committee has approved such conforming plans and specifications and other submittals, except that the Architectural Control Committee has no right or power, either by action or failure to act, to waive or grant any variances relating to any mandatory requirements specified in this Declaration, in any applicable Supplemental Declaration or Additional Declaration, or of any applicable governmental entity. If plans and specifications or other submittals are not sufficiently complete or are otherwise inadequate, the Architectural Control Committee may reject them as being inadequate or may approve or disapprove the same in part, conditionally or unconditionally, and reject the balance.

Section 7. Limitation of Liability. Neither the Architectural Control Committee nor the members thereof, nor Declarant, nor the Association, shall be liable in damages or otherwise to any Person submitting plans and specifications and other submittals for approval, by reason of mistake of judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any plans or specifications or other requests for approvals.

Section 8. Miscellaneous. No member of the Architectural Control Committee shall be entitled to compensation for services performed pursuant to this Declaration. Provided, however, the Association may reimburse members of the Architectural Control Committee for reasonable out-of-pocket expenses.

ARTICLE X

EASEMENTS

Section 1. Easements Reserved by Declarant.

(a) Declarant, for so long as there is a Class B Membership, and then the Association, for itself, its successors and assigns, and its agents, contractors, and employees reserves a perpetual, alienable, and releasable easement on, over and under the Property (and including all Dwelling Units, Lots and Common Property) for installation, Maintenance, repair, replacement, use, operation and removal of utilities (including, without limitation, electric, natural gas, telephone and cable television) and related appurtenances and equipment (including, without limitation, wires, poles, pipes, transformer boxes and conduits), stormwater and drainage facilities and soil and water impoundments. Provided, however, no easement hereby reserved shall be applicable to any portion of a Lot or Common Area used as a building site or approved for use as building site by the Architectural Control Committee. Full right of ingress and egress shall be had by Declarant at all times over the Lots and Dwelling Units or Common Areas (other than the portions thereof used or approved as building sites) for the installation, use, operation, Maintenance, repair, replacement or removal of any such utility,

drainage facility or impoundment, together with the right to remove any obstruction that may be placed in any easement that would constitute interference with the use of such easement, or with the use, installation, Maintenance, repair, replacement, removal or operation of same. Assignees to whom Declarant reserves the right to assign and convey, in whole or in part, the easements reserved by it hereunder shall include, without limitation, the Association and one or more governmental entities or public utility companies. Provided, however, neither the foregoing reservation of easement rights nor any similar reservation of easement rights contained in this Declaration shall create or impose any obligation upon Declarant, or its successors and assigns, to provide or Maintain any such utility, drainage facility or impoundment, which if not otherwise Maintained, shall be Maintained by the Association. There is also reserved, unto Declarant and any Builder (provided such Builder obtains the prior approval of Declarant as provided in Article VIII, Section 1), their agents, successors, assigns and prospective purchasers and tenants, the right of ingress, egress and transient parking in and through the Properties for purposes of erecting and maintaining sales offices, model homes and temporary construction or sales trailers or offices.

(b) In addition to the foregoing, Declarant and the Association reserve the right to subject the Property to a contract with the electric utility company which provides electric service to the Property for the installation of above ground or underground electric cables and lines and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to such electric utility company by each Owner.

(c) Declarant hereby declares and establishes, in accordance with Article IV, Section 2 herein, rights and easements over the Common Area for the benefit of Declarant and its agents, employees, and contractors for activities associated with the development of the Property, and the development of any of the Additional Property. Such rights and easements include without limitation, the right and easement to extend public street rights-of-way across Common Areas and to establish such rights-of-way as Dedicated Common Areas; provided however, so long as Mercedes Homes is a Builder, Mercedes Homes shall consent in writing to any such extension or establishment of such public street rights-of-way, which consent shall not be unreasonably withheld or delayed.

(d) The rights and easements reserved and established in favor of Declarant in this Declaration may be exercised by Declarant in connection with any development of the Additional Property.

(e) The rights and easements reserved and established in favor of Declarant in this Declaration may be exercised by any Builder in connection with such Builder's construction and sale of Dwelling Units in the Development, provided that such Builder obtains Declarant's prior written approval to exercise such rights and easements; and

(f) In accordance with Article IV, Section 7, the rights and easements reserved and established in favor of Declarant in this Declaration to grant exclusive utility easements over Common Areas and within all setback areas located upon Lots.

Section 2. Easement Reserved for The Association.

(a) Full rights of ingress and egress shall be had by the Association at all times over and upon each Lot or Dwelling Unit for the maintenance and repair of each Lot or Dwelling Unit in accordance with the provisions hereof and for the carrying out by the Association of its rights, powers, duties and obligations hereunder; provided, that any such entry by the Association upon any Lot or Dwelling Unit shall be made with as minimum inconvenience to the Owner as reasonably practicable, and any damage caused as a result of the negligence of the Association's employees or agents shall be repaired by the Association at the expense of the Association.

(b) In addition to the foregoing, and in order to implement effective and adequate erosion control, the Association, and its contractors, employees and agents, shall have the right to enter upon any portion of any Lot or Dwelling Unit before and after Improvements have been constructed thereon for the purpose of performing any grading or landscaping work or constructing, repairing, replacing, using, and maintaining erosion control devices; provided, however, no such activities shall interfere with any permanent Improvements constructed on any such Lot or Dwelling Unit (which Improvements have been approved by the Architectural Control Committee). If the need for erosion control results from the construction of Improvements on any portion of a Lot or Dwelling Unit or any excavation, grading, removal, reduction, addition or clearing of any Lot or Dwelling Unit or portion thereof, the cost of any such work performed by the Association for the purpose of implementing effective and adequate erosion control shall be assessed against the Owners of the Lot or Dwelling Unit on which such work has been performed. Provided, however, if the Association determines that appropriate corrective action is necessary on a Lot or Dwelling Unit, prior to exercising its right to enter upon such Lot or Dwelling Unit and performing any grading or landscaping work or constructing or maintaining erosion prevention devices, the Association shall give the Owner of such Lot or Dwelling Unit written notice of and the opportunity to take the corrective action specified in such notice. If the Owner fails to complete the specified corrective action by the date specified in the notice, the Association may then exercise its right to enter upon the Lot or Dwelling Unit and take or complete the necessary corrective action.

Section 3. Easement Reserved for Governmental Entities and Public Utilities. An easement is hereby established for applicable governmental entities and municipal, state or public utilities serving the Development, and their agents and employees, over all Lots, Dwelling Units, Common Areas and Sub-Community Property hereby or hereafter established (and approved if required), for the purpose of setting, removing, repairing, maintaining and reading utility meters, maintaining, repairing and replacing streets, utilities, utility or drainage connections, and acting for other purposes consistent with the public safety and welfare, including, without limitation, police and fire protection, garbage collection, and mail delivery,

the rights granted by such easements to be exercised in a reasonable manner and at reasonable times (except in the case of an emergency).

Section 4. Easements Shown On Recorded Maps. Declarant, for itself, its successors and assigns (including, without limitation, governmental entities and the Association), and in addition to those easements reserved in this Declaration, hereby reserves easements in the locations and for the purposes shown and indicated on all maps of Lots or Dwelling Units subject to this Declaration that are recorded in the Union County, North Carolina Registry, and, for the purpose of exercising and implementing such easement rights, Declarant and the Association shall have the right of ingress, egress and regress over and upon those easement areas. The rights reserved by this Section 4 include, without limitation, the right to construct, alter, place, maintain, repair, replace and use in the easement areas identified on such maps, all Improvements deemed necessary, in the reasonable discretion of the Declarant or the Association, for the full exercise of such easements.

Section 5. Construction and Maintenance Easement. Each Owner of a Lot on which a Dwelling Unit is to be constructed closer than five (5) feet from a Lot line, and such Owner, its successors, assigns, contractors, or agents, are hereby granted an access easement over and across any adjoining Lots and Common Areas as necessary for the construction and Maintenance of the Dwelling Unit; provided, however, that such access easement shall not prohibit or interfere with access to the adjacent Owner's Lot or Dwelling Unit, and any damage to the adjacent Owner's Lot or Common Areas as a result of such access shall be promptly repaired by the Owner benefiting from the access easement, at its sole cost and expense. No fence, wall or outbuilding or any other kind of obstruction shall be permitted in the easement area which will obstruct access to the Dwelling Unit.

Section 6. Entrance Monuments. Declarant has the right but not the obligation to install an entrance monument and related improvements ("Entrance Monument") on any Lot which is specified as a Lot upon which an Entrance Monument may be established in any Supplemental Declaration which is filed in the Union County Public Registry, or on any plat of the Property filed by Declarant in the Union County Public Registry. Declarant hereby reserves for the benefit of Declarant and grants to the Association an easement over, under and across such Lot(s) for the installation and maintenance of such Entrance Monument.

Section 7. Encroachment Easements for Improvements Constructed by Declarant. Declarant does hereby grant, declare, and establish easements over all Lots for the encroachment of improvements now or hereafter constructed by the Declarant on adjacent Lots, Common Area or rights-of-way to the extent that such improvements actually encroach, including, but not limited to, such items as sidewalks, provided such encroachment does not interfere with the reasonable use of the Lots so encroached upon.

ARTICLE XI

MAINTENANCE

Section 1. Duty of Maintenance. Unless otherwise delegated to a Sub-Association, the Owner of each Lot or Dwelling Unit in the Property shall have the duty and responsibility, at such Owner's sole cost and expense, to keep and Maintain such Lot or Dwelling Unit, including all Improvements thereon, ground and stormwater drainage easements or other rights-of-way incident thereto, in accordance with the terms and provisions of the Declaration and in a well-maintained, safe, clean and attractive condition at all times. Such Maintenance includes, but is not limited to, the following:

- (a) Prompt removal of all litter, trash, refuse and waste;
- (b) Lawn mowing and maintenance on a regular basis, including (subject to any applicable governmental laws or regulations) any portions of a public or private street right of way adjacent to any boundary of the Lot or Dwelling Unit;
- (c) Tree and shrub pruning and removal of dead or diseased trees and shrubs, or trees that pose a safety hazard;
- (d) Watering, by means of a lawn sprinkler system or hand watering as needed;
- (e) Keeping exterior lighting and mechanical facilities in working order;
- (f) Keeping lawn and garden areas alive;
- (g) Removing any dead plant material;
- (h) Keeping vacant land well maintained and free of trash and weeds;
- (i) Keeping parking areas and driveways in good repair;
- (j) Complying with all governmental health and police requirements;
- (k) Repainting of Improvements; and
- (l) Repair of exterior damage to Improvements.

Section 2. Owner's Obligations to Repair. Except for those portions, if any, of each Lot or Dwelling Unit which the Association or a Sub-Association is required to maintain or repair hereunder, each Owner shall, at such Owner's sole cost and expense, maintain and repair such Owner's Lot or Dwelling Unit and the Improvements situated thereon, keeping the same in good condition and repair and in compliance with the covenants, conditions and restrictions

herein contained. In the event that any Owner shall fail to maintain and repair such Owner's Lot or Dwelling Unit and/or such Improvements as required hereunder, the Association, in addition to all other remedies available to it hereunder or at law or in equity, and without waiving any of such alternative remedies, shall have the right, through its agents and employees, to enter upon said Lot and to repair, maintain, and restore the Lot or Dwelling Unit and the exterior of the buildings and any other improvements (including, without limitation, all Improvements) erected thereon; and each Owner (by acceptance of a deed for a Lot or Dwelling Unit) hereby covenants and agrees to repay to the Association the cost thereof immediately upon demand, and the failure of any such Owner to pay the same shall carry with it the same consequences as the failure to pay any assessment hereunder when due. The Association, at the cost of the Owner of the affected Lot or Dwelling Unit, shall, if the Owner of such affected Lot or Dwelling Unit fails to promptly (and in any event, within sixty (60) days following the date of the casualty) do so following the date of occurrence of the hereinafter described damage, cause any and all improvements situated upon a Lot or Dwelling Unit which are damaged or destroyed by fire or other casualty to be repaired and/or removed so as not to present an unsightly appearance and/or unsafe condition, with the cost of same to be charged to and collected from the Owner in the manner provided in this Section.

Section 3. Enforcement. If any such Owner (or occupant of such Owner's Lot or Dwelling Unit) has failed in any of the duties or responsibilities of such Owner as set forth in this Declaration, then the Association or Declarant (for so long as there is Class B Membership) may give such Owner written notice of such failure and such Owner must, within ten (10) days after receiving such notice (which notice shall be deemed to have been received upon deposit in an official depository of the United States mail, addressed to the party to whom it is intended to be delivered, and sent by certified mail, return receipt requested), perform the care and maintenance required or otherwise perform the duties and responsibilities of such Owner. Should any such Owner fail to fulfill this duty and responsibility within such period, then the Association or the Declarant, acting through its authorized agent or agents, shall have the right and power to enter onto the premises and perform such care and maintenance without any liability to any Person for damages for wrongful entry, trespass or otherwise. The Owner of a Lot or Dwelling Unit on which such work is performed shall be liable to the Declarant or the Association for the cost of such work, together with interest on the amounts expended by the Association or the Declarant in performing such work at the highest lawful rate or sixteen percent (16.0%) per annum, whichever is less, from the date(s) such amounts are expended until repaid, and for all costs and expenses (including attorney fees) incurred by Declarant or the Association in seeking the compliance of such Owner with the duties and responsibilities of Owners hereunder, and shall reimburse the Association or the Declarant, as the case may be, on demand for such costs and expense (including attorney fees and interest). If such Owner shall fail to reimburse the Association or the Declarant, as the case may be, within thirty (30) days after mailing to such Owner of a statement for such costs and expense by the Association or the Declarant, then, without limitation of any other rights of the Association or Declarant, the Association may issue an individual assessment against such Owner, and may enforce and collect the same, as provided in the Sections of this Declaration relating to assessing, enforcing and collecting assessments.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 1. Duration and Termination. This Declaration and the terms, covenants, restrictions and provisions set forth herein shall run with and bind the Property and shall inure to the benefit of every Owner of a Lot in the Property, including Declarant, and their respective heirs, successors, and assigns, for a term beginning on the date this Declaration is recorded and continuing through and including December 31, 2030. Beginning on and including January 1, 2031, the easements, covenants, conditions and restrictions herein shall be automatically extended for successive period(s) of ten (10) years each unless, at a duly called annual or special meeting of the Association at which a quorum is present held prior to the expiration of the applicable time period, termination of this Declaration is approved by the affirmative vote of seventy-five percent (75%) or more of the Voting Power to be cast by the Members present or represented by proxy. A vote by the membership on termination of this Declaration may be held only upon presentation to the Association of a petition for termination signed by Members possessing no less than twenty-five percent (25%) of the Voting Power, which petition, in the case of an annual meeting of the Association, shall be presented to the Association prior to the date that notice of the annual meeting is sent to the Members. The Association shall give written notice of any annual or special meeting, at which termination of this Declaration is to be considered and voted upon to all Owners at least thirty (30) days in advance of the date of such meeting, which notice shall set forth that termination of this Declaration will be considered and voted upon at such meeting. If the membership votes to terminate this Declaration, such termination shall be effective upon the expiration of the then applicable time period for which the Declaration is in existence, or shall be effective on such date thereafter as may be specified in the resolution of termination passed by the membership as required herein (it being the intention of this Section, notwithstanding anything to the contrary appearing herein, that if the membership has voted to terminate this Declaration, the membership may set a date of termination that may result in this Declaration continuing to be in effect for a period of less than ten (10) years following the expiration of a preceding time period in which this Declaration was in effect).

The quorum required at the annual or special meeting at which termination of this Declaration is to be considered by the membership pursuant to the petition filed with the Association shall be the presence of Members plus proxies entitled to cast sixty percent (60%) or more of the Voting Power. If such quorum is not present, subsequent meeting(s) may be called until a quorum is present, subject to the same notice requirements, and the required quorum at such subsequent meeting(s) shall be one-half (1/2) of the required quorum at the immediately preceding meeting.

If the Members vote to terminate this Declaration in accordance with the foregoing requirements, then the President and Secretary of the Association shall execute in recordable form a certificate which shall set forth at least the following information: 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 required to constitute a quorum at such meeting; the total number of votes present at such meeting; the total number of votes necessary to adopt the resolution terminating the Declaration; the total number of votes cast in favor of such resolution; and the total number of votes cast against the resolution. Such certificate shall be recorded in the Union County, North Carolina Registry no later than thirty (30) days following the date such resolution of termination is passed by the membership, and such certificate may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

Section 2. Amendment. During any period in which a two-class voting structure is in effect, Declarant may amend this Declaration without the approval of any Member or mortgagee holding a mortgage encumbering a Lot provided that (i) the amendment does not materially alter or change any Owner's right to the use and enjoyment of such Owner's Lot or of the Common Area as set forth in this Declaration and the amendment does not adversely affect the title to any Lot, or (ii) such amendment is necessary to cause this Declaration or any Supplemental Declaration to comply with the requirements of FHA (Federal Housing Administration), VA, Fannie-Mae (Federal National Mortgage Administration), Office Of Interstate Land Sales Registration of the Department Of Housing And Urban Development (OILSR) or other similar agency, or (iii) such amendment is necessary to establish or maintain the tax exempt status of the Association under the laws of the United States or the State of North Carolina; however, such amendment shall require the prior written consent of HUD and the VA, if at the time of such amendment, a Class B Membership exists and HUD and the VA are insurers or guarantors of any loan secured by a mortgage on any Lot. In the event that such amendment would materially and adversely affect the security, title and interest of any mortgagee holding a mortgage encumbering a Lot, such amendment shall be valid only upon the written consent of sixty-seven percent (67%) of the mortgagees holding mortgages encumbering Lots (based on one vote for each mortgage owned) and the prior written consent of HUD and the VA, if at the time of such amendment a Class B Membership exists and HUD and the VA are insurers or guarantors of any loan secured by a Mortgage.

Should the VA, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation subsequently delete any of their respective requirements which necessitate the provisions of this Declaration or make such requirements less stringent, the Board, without approval of the Owners, may cause an amendment to this Declaration to be recorded to reflect such changes.

Any other amendments to this Declaration shall require seventy-five percent (75%) of each class of votes in the Association if a two-class voting structure is in effect, and if a two-class voting structure is not in effect, seventy-five percent (75%) of the total votes in the Association as set forth in this Declaration; provided, however, that no such amendment shall be effective without the written consent of Declarant so long as there is Class B Membership, and in no event shall any amendment limit the rights of Declarant under this Declaration so long as there is a Class B Membership.

All amendments to this Declaration must be recorded in the Union County, North Carolina Registry and shall not become effective until recorded. With respect to amendments that require approval of the Owners, all such amendments also shall be executed by the Association, following determination by the Board that the amendment has been duly approved by the required percentage of Owners (for the purpose of this determination, the Board may rely on its most current membership list and shall not be required to conduct any title examination of any Lot to determine ownership thereof). The Board shall make its determination (and cause the amendment(s) to be recorded if the Board determines that the required number of Owners have executed the amendment(s)) within thirty (30) days of receipt of the proposed amendment(s) purportedly signed by the required number of Owners. If the Board determines that the required number of Owners have executed the proposed amendment(s), the Board shall cause the amendment(s) to be recorded.

With respect to amendments by the Declarant which do not require the assent of the Owners, the Association also shall execute such amendments prior to the recordation thereof so that such amendments may be indexed in the Union County Registry in the name of the Association as well as in the name of the Declarant.

Section 3. Dissolution or Insolvency of the Association. The Association shall be dissolved upon the termination of this Declaration, or upon the written assent given in writing and signed by Members exercising not less than seventy-five percent (75.0%) of the Voting Power of each class of membership, or upon such more restrictive or additional conditions and in such manner as otherwise provided by the laws of the State of North Carolina; provided however, HUD and the VA must consent to such dissolution if at the time of such dissolution a Class B Membership exists and HUD or VA are insurers or guarantors of any loan secured by a mortgage or deed of trust upon any Lot. Upon dissolution or insolvency of the Association or upon loss of ownership of the Common Area (once such ownership has been acquired) by the Association for any reason whatsoever (except for exchange or dedication or conveyance of any part or all of the Common Area as allowed by this Declaration or by reason of merger and/or consolidation with any other association as allowed by this Declaration), any portion of the Common Area not under the jurisdiction of and being maintained by another association substantially similar to the Association, together with all other assets of the Association, shall be offered to the Town of Indian Trail, North Carolina, or to some other appropriate governmental entity or public agency (as determined by the Board) to be dedicated for public use for purposes similar to those to which the Common Area and such assets were required to be devoted by the Association. If the Town of Indian Trail or such other appropriate governmental entity or public agency accepts the offer of dedication, such portion of the Common Area and assets shall be conveyed by the Association to the Town of Indian Trail or such other appropriate governmental entity or public agency, subject to the superior right of the Owner of each Lot or Dwelling Unit to an easement (if necessary) for reasonable ingress and egress to and from such Owner's Lot or Dwelling Unit and the public or private street(s) on which such Lot or Dwelling Unit is located, and subject to all other applicable rights of way and easements and subject to ad valorem property taxes subsequent to the date of such conveyance. Should the Association merge or consolidate with any other association, such merger or consolidation shall require the

prior approval of HUD and the VA if at the time of such merger or consolidation a Class B Membership exists and HUD or VA are insurers or guarantors of any loan secured by a mortgage or deed of trust upon any Lot.

In the event that the Town of Indian Trail or such other appropriate governmental entity or public agency refuses the offer of dedication and conveyance, the Association may transfer and convey such Common Area and assets to any nonprofit corporation, association, trust or other entity which is or shall be devoted to purposes and uses that would most nearly conform to the purposes and uses to which the Common Area was required to be devoted by this Declaration, such conveyance to be made subject to the rights of Owners and other matters set forth in the immediately preceding paragraph.

Section 4. Enforcement. Declarant, the Association, the Sub-Associations and every Owner shall have the right to enforce the terms, covenants, conditions, restrictions, easements, charges and liens for which provision is made in this Declaration, which enforcement shall be by any proceeding at law or in equity (or otherwise, as provided in this Declaration) against any Person violating or attempting to violate any such term, covenant, condition, restriction, easement, charge or lien either to restrain violation or to recover damages, and against the land, to enforce any lien created by these covenants; and failure by the Association, the Sub-Associations, Declarant or any Owner to enforce any such term, covenant, condition, restriction, easement, charges or lien shall in no event be deemed a waiver of the right to do so thereafter or a waiver of any other or future violation of any of same; provided, however, each Sub-Association shall have the right to enforce the terms, covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration only with respect to the Sub-Community Property which such Sub-Association was formed to control, pursuant to an Additional Declaration contemplating such Sub-Association's right to enforce this Declaration.

Section 5. Severability of Provisions. If any paragraph, section, sentence, clause or phrase of this Declaration shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null or void, the remaining paragraphs, sections, sentences, clauses and phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. It is hereby declared that said remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases shall become or be illegal, null or void.

Section 6. Notice. Except as otherwise provided herein, whenever written notice to an Owner (including Declarant) is required hereunder, such notice shall be given by the mailing of same, postage prepaid, to the address of such Owner appearing on the records of the Association. If notice is given in such manner, such notice shall be conclusively deemed to have been given by placing same in the United States mail properly addressed, with postage prepaid, whether received by the addressee or not. It shall be the duty of each Owner to keep the Association informed of such Owner's current mailing address and telephone number. The Association may use the address of such Owner's Lot listed with the Union County Supervisor.

Section 7. Titles. The titles, headings and captions which have been used throughout this Declaration are for convenience only and are not to be used in construing this Declaration or any part thereof.

Section 8. Number and Gender. Whenever the context of this Declaration requires, the singular shall include the plural and one gender shall include all.

Section 9. No Exemption. No Owner or other party may exempt himself from the coverage hereof or obligations imposed hereby by non-use or abandonment of such Owner's Lot(s), Dwelling Unit or the Common Area.

Section 10. Combination of Lots. For so long as there is a Class B Membership, no Lot shall be subdivided without the written consent of Declarant. One or more Lots may be combined into a single Lot with the written consent of Declarant and, upon such combination and consent of Declarant, the resulting Lot shall be considered as one Lot for the purposes of this Declaration. Provided, the foregoing shall not prohibit or restrict the right (which is hereby reserved) of Declarant to subdivide, combine, resubdivide, recombine, or re-record maps relating to, any Lots subject to this Declaration.

Section 11. Conflict Between Declaration and Articles or Bylaws. Whenever there exists a conflict between the provisions of this Declaration and the Articles or Bylaws, the provisions of this Declaration shall control, and whenever there is a conflict between the provisions of the Articles and Bylaws, the provisions of the Articles shall control.

Section 12. Laws of North Carolina and the United States. This Declaration shall be subject to and construed in accordance with the laws of the State of North Carolina and all applicable laws and regulations of the United States of America. Whenever there is a conflict between the provisions of this Declaration, any Supplemental Declaration or the Bylaws and any applicable laws of the State of North Carolina, the United States or any other governmental entity having jurisdiction over the Property, such laws shall control.

Section 13. Assignment. Declarant specifically reserves the right, in its sole discretion at any time and from time to time to assign (temporarily or permanently) any or all of its rights, privileges and powers under this Declaration or under any Supplemental Declaration. All assignments shall be recorded with the Office of the Register of Deeds, Union County, North Carolina.

Section 14. Exempt Property. Notwithstanding anything to the contrary appearing in this Declaration, all portions of the Property that are dedicated to the Town of Indian Trail (or other governmental entity) for public use or with respect to which title is transferred to the Town of Indian Trail (or other governmental entity) for public use shall be exempt from the terms and conditions of this Declaration as long as such portions of the Property are held or

used for public purposes, including, without limitation, street rights of way, sanitary sewer easements and Dedicated Common Area.

Section 15. Recordation Of Documents. Whenever there is any reference in this Declaration to the recordation of documents, unless there is a contrary reference associated therewith, the place of recordation shall be in the office of the Register of Deeds for Union County, North Carolina.

Section 16. Subject to Special Use Permit. The Town of Indian Trail issued a Special Use Permit (the "Permit") in connection with Declarant's proposed development of the Property, which Permit is recorded in Book 1333, page 274 in the Union County Public Registry and a copy of which is attached hereto as Exhibit "B" and made a part hereof. In addition to the protective covenants contained in the Declaration, all Dwelling Units shall comply with the use restrictions contained in the Permit and the Property shall otherwise comply with the terms of the Permit; provided however, if the zoning regulations of the Town of Indian Trail shall change such that the Permit is no longer applicable, or if the Permit should be amended in the future, all Dwelling Units shall comply with the then current applicable governmental regulations.

IN WITNESS WHEREOF, Declarant has executed this Declaration as its act and deed, the day and year first above written and Mercedes Homes of the Carolinas, Inc. executes this Declaration for the purposes herein expressed.

INSIGHT COMMUNITIES, LLC

By: R. Dean Harrell

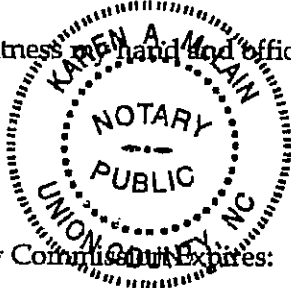
R. Dean Harrell, Member/Manager

STATE OF NORTH CAROLINA

COUNTY OF Union

I, Karen A. McLean, a Notary Public of the aforesaid county, do hereby certify that R. DEAN HARRELL, a Member/Manager of INSIGHT COMMUNITIES, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the execution and sealing of the foregoing instrument as member/manager on behalf of INSIGHT COMMUNITIES, LLC and as the act of the company referred to in this acknowledgement.

Witness my hand and official stamp or seal, this 28 day of October, 2002.



Karen A. McLean

Notary Public

My Commission Expires: October 8, 2007

MERCEDES HOMES OF THE CAROLINAS, INC.

By:

Title: Vice President of Construction

STATE OF NORTH CAROLINA

COUNTY OF Mecklenburg

I, Carol Williams a Notary Public, certify that Stuwer McDonald personally came before me this day and acknowledged that he/~~she~~ is the Vice President of MERCEDES HOMES OF THE CAROLINAS, INC., and that he/~~she~~, as Vice President being authorized to do so, executed the foregoing on behalf of the corporation.

Witness my hand and official seal this 31ST day of October, 2002.

My commission expires: 3-1-03

Carol Williams
Notary Public

NORTH CAROLINA-UNION COUNTY

The foregoing certificate(s) of

Karen A McVain
Carol Williams

Notary (s) (les) Public

are certified

to be correct.

JUDY G. PRICE: REGISTER OF DEEDS

BY: Berena Ciorra
ASST/DEPT.

Exhibit A**The "Property"**

All that property shown on the following Final Record Plats of Taylor Glenn recorded in the Union County Public Registry:

<u>Phase</u>	<u>Map</u>	<u>Plat Cabinet</u>	<u>File</u>
1	1	G	491
1	2	G	582
1	3	G	583 and 584
1	4	G	773
1	5	G	830 and 831
1B	2	G	774

1965
0544

BK 1965 PG 544

Exhibit B

Special Use Permit