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STATE OF NORTH CAROLINA

MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
PARK SQUARE

COUNTY OF MECKLENBURG

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PARK SQUARE (the "Declaration") is made and entered into this 2ND day of December, 2003 by The Downtown Group, LLC, a North Carolina limited liability company ("Declarant"). Declarant is the owner and developer of that certain real property located in Mecklenburg County, North Carolina and more particularly described on Exhibit A attached hereto and incorporated hereby by reference (the "Property"). which Property is being developed by Declarant as mixed use community known as PARK SQUARE. Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in the Property and for the maintenance of the Property and improvements thereon, and to this end desires to subject the Property to the easements, covenants, conditions, restrictions, charges and liens hereinafter set forth and/or described. Although Declarant contemplates that separate easements, covenants, conditions and restrictions (which may include easements, covenants, conditions and restrictions similar to those n contained) may be imposed with regard to the various phases or Neighborhoods (as defined herein) of the Property and that separate owners' associations will be established for all of the various phases or Neighborhoods of the Property, 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, additional restrictions may be imposed with regard to the various phases or Neighborhoods of the Property.

WHEREAS, Declarant deems it desirable in order to insure the efficient preservation, protection and enhancement of the values in PARK SQUARE and the residents' enjoyment of the specific rights, privileges and easements in the community properties that an organization be created to which will be delegated and assigned the: powers of maintaining common areas and entrances, administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter imposed; and

WHEREAS, Declarant has caused to be created for the purposes aforesaid, a North Carolina non-profit corporation under the name and style of PARK SQUARE MASTER ASSOCIATION, INC.

NOW, THEREFORE, Declarant hereby subjects the Property to the easements, covenants, conditions, restrictions, charges and liens as hereinafter set forth and hereby declares that (subject to certain rights of amendment, as hereinafter described) all of the Property shall be held, sold and conveyed subject to such easements, covenants, conditions, restrictions, charges and liens, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property. Subject to the above described rights of Declarant, such easements, covenants, conditions, restrictions, charges and liens shall run with the Property, and be binding on all parties having or acquiring any right, title or interest in the Property, or any part thereof and shall inure to the benefit of each owner of the Property or any part thereof.

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. The following terms when used in this Declaration, or any amendment or supplement hereto (unless the context shall otherwise require or unless otherwise specified herein or therein) shall have the following meanings:

- (a) "Act" shall mean and refer to the North Carolina Planned Community Act, Chapter 47F, North Carolina Statutes.
- (b) "Additional Property" shall mean and refer to which may be made a part of the Property and brought into the jurisdiction of the Master Association pursuant to Section 2.2 hereof.
- (c) "Architectural Committee" shall mean and refer to the committees which may be established pursuant to the Neighborhood Declarations to oversee the development and enforcement of architectural control standards and restrictions with respect to the Neighborhoods and to perform other functions described in the Neighborhood Declarations.
- (d) "Association Member" shall mean and refer to a Neighborhood Association which is a Master Association Member.
- (e) "Condominium Tract" shall mean and refer to any tract of land shown on a plat in the Unit Ownership Files of Mecklenburg Public Registry which is a part of the Property.

(f) "Declarant" shall mean and refer to The Downtown Group, LLC, a North Carolina limited liability company, or its successors in title to the Property and/or the Additional Property, provided that in the instrument of conveyance to any such successor in title or assign, such successor in title or assign is designated as the "Declarant" hereunder by the grantor of such conveyance, which grantor shall be the "Declarant" hereunder at the time of such conveyance, and such conveyance must be consented to by the other Declarant. Provided further, that upon such designation of such successor Declarant, all rights, duties and obligations of the former Declarant in and to such status as "Declarant" hereunder shall cease, it being understood that as to all of the Property and the Additional Property, there shall not be more than one person or legal entity entitled to exercise the rights and powers of the "Declarant" hereunder at any time, except as provided in Section 1.1(gg).

(g) "Declaration" or "Master Declaration" shall mean and refer to this Master Declaration of Covenants, Conditions and Restrictions for PARK SQUARE as it may be amended and/or supplemented from time to time as herein provided.

(h) "Improvement" or "Improvements" shall mean and include any and all man made changes or additions to a Lot, including, but not limited to, the location, materials, size and design of all buildings (including any exterior devices attached to or separate from buildings, such as heating and air conditioning equipment, solar heating devices, antennae, satellite dishes, storage sheds or areas; roofed structures; parking areas; fences; walls; irrigation equipment, apparatus and systems; landscaping (including cutting of trees); hedges; mass plantings; poles; driveways; changes in grade or slope; site preparation; swimming pools; hot tubs; Jacuzzi; tennis courts; basketball goals; skateboard ramps; and other sports or play apparatus; signs; exterior illumination; and changes in any exterior color or shape. The definition of Improvements includes both original Improvements and all later changes to Improvements.

(i) "Lot" shall mean and refer to any numbered or lettered parcel of land shown on any Plat which is a part of the Property and which shall be restricted for residential uses and/or for such uses as are consistent with this Declaration and any other restrictions covering the area wherein the Lot is located. No parcel of land shall become a "Lot" as that word is used herein until a Plat of the area on which the same is located is recorded in the Office of the Register of Deeds of Mecklenburg County, North Carolina. Also included in the definition of "Lot" shall be a condominium unit created by the filing of a Declaration of Condominium and the recording of a plat in the Unit Ownership Files of Mecklenburg County Public Registry. The Master Common Area and Neighborhood Common Area shall not be considered Lots.

(j) "Master Annual Assessments" shall have the meaning as set forth in Section 4.1 hereof.

(k) "Master Articles" shall mean and refer to the Articles of Incorporation of the Master Association, a copy of which is attached hereto as Exhibit B, as the same maybe amended from time to time.

(l) "Master Association" shall mean and refer to the Park Square Master Association, Inc., a North Carolina non profit corporation, which Master Association has been established and

exists to govern the ownership and maintenance of the Master Common Areas and the enforcement of the provisions of this Master Declaration.

(m) "Master Association Member" shall mean and refer to the Neighborhood Associations formed for each Tract or combination of Tracts. Master Association Members shall include the Declarant for so long as Declarant owns any part of the Property.

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

(o) "Master Bylaws" shall mean and refer to the Bylaws of the Master Association, a copy of which is attached hereto as Exhibit C, as they may now or hereafter exist.

(p) "Master Common Area" or "Master Common Areas" shall mean and refer, singularly or collectively, as applicable, to all land, improvements and other properties which hereafter shall be deeded to or acquired by, in fee or by easement, from time to time by the Master Association for the common use and enjoyment of all of the Owners and the Occupants, including, without limitation any easements granted to the Master Association, and that property identified and designated as "Master Common Area", "Master Common Open Space", "Common Area", "Common Open Space" or other different language with similar meaning on any recorded Plat or Plats of the Property or any part of it.

(q) "Member" shall mean and refer to each Owner who is a member of a Neighborhood Association formed with regard to a Neighborhood in which such Owner's property is located, all as more specifically provided in Section 3.5 hereof.

(r) "Mortgage" shall mean and refer to any mortgage or deed of trust constituting a first lien on a Lot.

(s) "Mortgagee" shall mean the owner and holder of a Mortgage at the time such term is being applied.

(t) "Neighborhood" shall mean and refer to each separately developed area comprised of one or more housing or commercial types subject to this Declaration in which owners may have common interests other than those common to all Master Association Members, such as a common theme, entry feature, development name and/or Neighborhood Common Areas and facilities which are not available for use by all Master Association Members. For example, and by way of illustration and not limitation, each condominium or townhome development, could constitute a separate Neighborhood; however, each type development could be treated as a single Neighborhood. In addition, each parcel of land intended for development as any of the above shall constitute a Neighborhood.

(u) "Neighborhood Association" shall mean and refer to any one of the associations which will be formed in connection with a Neighborhood and shall have jurisdiction over the property within the Neighborhood.

(v) "Neighborhood Common Area" shall mean and refer, singularly or collectively, as applicable, to all land, improvements and other properties which hereafter shall be deeded to or acquired by, in fee or by easement, from time to time by any Neighborhood Association for the common use and enjoyment of the Owners and the Occupants of a particular Neighborhood, including, without limitation any Landscape Easements or other easements granted to any Neighborhood Association, and that property identified and designated as "Neighborhood Common Area", "Neighborhood Common Open Space" or other different language with similar meaning on any recorded Plat or Plats of the Property or any part of it.

(w) "Neighborhood Declaration" shall mean and refer to any Declaration of Covenants, Conditions and Restrictions filed in the Office of the Register of Deeds of Mecklenburg County, North Carolina with regard to a certain Neighborhood, as more particularly described in Section 2.3 hereof.

(x) "Occupant" shall mean and refer to any person occupying all or any portion of a Lot or the Property for any period of time, regardless of whether such person is a tenant of the Owner of such Lot or portion of the Property.

(y) "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot or other portion of the Property, but excluding those having such interest merely as security for the performance of an obligation.

(z) "Person" shall mean and refer to any natural person, corporation, joint venture, partnership (general or limited), limited liability company, association, trust or other legal entity.

(aa) "Phase" shall mean and refer to any phase, section or portion of the Property for which a separate Plat or Plats are recorded in the Office of the Register of Deeds of Mecklenburg County, North Carolina.

(bb) "Plat" shall mean and refer to any plat of the Property or any part of it which has been recorded in the Office of the Register of Deeds of Mecklenburg County, North Carolina.

(cc) "Property" shall mean and refer to that certain real property located in Mecklenburg County, North Carolina and more particularly described on Exhibit A attached hereto and incorporated herein by reference, as well as such Additional Property as may be made subject to the provisions of this Declaration pursuant to the provisions of Section 2.2 hereof.

(dd) "Special Declarant Rights" shall mean the rights as defined in Section 47F 103(28) of the Act for the benefit of a Declarant and all rights and easements granted to Declarant in this Declaration, including, but not limited to the following: to complete improvements indicated on plats or plans filed with or referenced in the Declaration; to exercise any development right as defined in the Act; to maintain sales offices, management offices, models and signs advertising PARK SQUARE; to use easements through the Master Common Areas for the purpose of making improvements within PARK SQUARE or within real estate which may be added to PARK SQUARE; and to elect, appoint or remove any officer or Board Member of the Master Association during any period of Declarant control.

(ee) "Supplementary Declaration" shall mean and refer to any Supplementary Declaration of Covenants, Conditions and Restrictions filed in the Office of the Register of Deeds of Mecklenburg County, North Carolina to bring all or any portion of the Additional Property within the coverage of this Declaration and the jurisdiction of the Master Association, as more particularly described in Section 2.2 hereof.

(ff) "Townhome Tract" shall mean and refer to the tracts of land located within the Property numbered one (1) through (36), on Exhibit A-1 attached hereto.

(gg) "Turnover Date" shall have the meaning set forth in Section 3.3 hereof.

(hh) "Written Consent by Declarant" shall mean that the Declarant shall have consented in writing and joined in the execution of any document requiring the written consent by Declarant.

ARTICLE II

PROPERTY

Section 2.1. Property Made Subject to this Declaration. The Property is hereby made subject to this Declaration and the Property shall be owned, held, leased, transferred, sold, mortgaged and/or conveyed by Declarant, the Master Association, any Neighborhood Association, each Owner and each party owning record title to any of the Property subject to this Declaration and the controls, covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration.

Section 2.2. Additional Property. Declarant shall have the right, at its election without the consent of any Owner or Owners, to bring within the coverage of this Declaration and the jurisdiction of the Master Association the Additional Property. Such additions authorized hereby shall be made by filing of record in the Office of the Register of Deeds for Mecklenburg County, North Carolina, Supplementary Declarations of Covenants, Conditions and Restrictions with respect to such additional property. Each such Supplementary Declaration shall extend the scheme of this Declaration and the jurisdiction of the Master Association to such Additional Property and thereby subject such additional property to assessment for their just share of the Master Association's expenses. Such Supplementary Declarations may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character of the Additional Property and as are not inconsistent with the provisions of this Declaration, including without limitation, provisions creating additional Master Common Areas or Maintenance Areas. Provided that such Master Common Areas are for the benefit of all Owners (as opposed to specific Neighborhoods) the Association shall be required to accept such Master Common Areas and Maintenance Areas (whether conveyed by deed or granted as easements in the Supplementary Declaration or referenced on a Plat). Nothing contained in this Section 2.2, however, shall be construed to obligate Declarant, or any other person or entity, to bring the Additional Property within the coverage of this Declaration.

Section 2.3. Additional Declarations. In addition to the controls, covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration, the Declarant shall have the right, at its election without the consent of any Owner or Owners, to subject any Neighborhood, Phase or portion of the Property owned by The Declarant to additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens, by filing an Additional Declaration in the Office of the Register of Deeds of Mecklenburg County covering only such Neighborhood, Phase or portion of the Property. Such an Additional Declaration may not be inconsistent with the terms of this Declaration and may or may not provide for the establishment of an Association to govern the ownership and/or maintenance of the Property affected by and the enforcement of the provisions of such Additional Declaration.

Section 2.4. Merger or Consolidation. Upon any merger or consolidation of an Association with another Association, the properties, rights and obligations of the Association may be transferred to another surviving or consolidated Association or, alternatively, the properties, rights and obligations of another Association may be added to the property, rights and obligations of such Association as the surviving corporation pursuant to a merger. The surviving or consolidated Association shall be considered an Association and shall administer the terms and provisions of this Declaration (to the extent they relate to the Neighborhood (s) or Phase(s) of the Property over which such Association has jurisdiction) and the applicable Additional Declarations affecting the portions of the Property in the jurisdiction of such Association, together with the covenants and restrictions established upon any other properties, as one scheme. No such merger or consolidation, however, shall effectuate a revocation, change or addition to the terms and provisions of this Declaration or any Additional Declaration pertaining to the Property or any portion thereof except as specifically provided in this Declaration.

Section 2.5. Changes to this Declaration or Additional or Supplemental Declarations Requiring Declarant's Consent. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that, so long as Declarant owns any part of the Property or the Additional Property, 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.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN THE MASTER ASSOCIATION

Section 3.1. Membership in the Master Association. There shall initially be one (1) Master Association Member for the Neighborhood Association formed for a Neighborhood located on the Townhome Tract and two (2) Master Association Members for the Neighborhood Association formed for the Neighborhood located on the Condominium Tract. Subject to the provisions of Section 3.3 hereof, the Neighborhood Association(s) shall elect the Master Association Member(s) to represent such Neighborhood Association (each a "Member").

Section 3.2. Allocation of Votes for Master Association Members. Each Master Association Member shall be entitled to cast one (1) vote all votes allocated to its Association.

Section 3.3. Control By Declarant. Notwithstanding any other language or provision to the contrary in the Bylaws, in the Articles of Incorporation or in this Declaration, Declarant shall have the right to appoint and remove any Members of the Board of Directors of the Master Association and any officer or officers of the Master Association until ninety (90) days after the occurrence of either of the following events, whichever occurs earlier: (i) the conveyance (to someone other than the Declarant) of 75% of the total number of Lots allowed under the current zoning for the Property (ii) ten (10) years after the first Lot is conveyed to an Owner for use as that Owner's residence; or (iii) the surrender by Declarant of the authority to appoint and remove directors and officers by written letter to the Master Association. The earliest to occur of (i), (ii) or (iii) shall hereinafter be referred to as the "Turnover Date". Upon the expiration of the period of Declarant's right to appoint and remove directors and officers of the Master Association pursuant to the provisions of this Section 3.3, such rights shall automatically pass to the Master Association Members and a special meeting of the Master Association shall be called for and held within ninety (90) days from the date of the expiration of Declarant's rights hereunder. At such meeting, the Master Association Members shall elect a new Board of Directors which shall undertake the responsibilities of running the Master Association and Declarant shall deliver the books, accounts and records, if any, which it has kept on behalf of the Master Association, as well as any agreements or contracts executed by or on behalf of the Master Association which may still be in effect or operation. Each Owner, by acceptance of a deed to or other conveyance of a Lot, vests in Declarant such authority to appoint and remove directors and officers of the Master Association as provided in this Section. Notwithstanding, any provision herein to the contrary, for the purpose of this Section 3.3, "Declarant" shall mean The Downtown Group, LLC until the Turnover Date, or such time, if ever, that Owners of other portions of the Property have filed Assumptions of Special Declarant Rights pursuant to Section 1.1 (dd) with respect to a majority of the acreage of the Property, in which case such Owners shall collectively constitute the "Declarant" for the purpose of this Section 3.3.

Section 3.4. Voting Quorum and Notice Requirements for the Master Association. Except as may be otherwise specifically set forth in this Declaration or in the Master Articles or Master Bylaws, the vote of a majority of all votes entitled to be cast by the Master Association Members, present or represented by legitimate proxy at a legally constituted meeting at which a quorum is present, shall be the act of the Master Association Members. The number of votes present at a meeting of the Master Association Members that is properly called and that will constitute a quorum shall be as set forth in the Master Bylaws. Notice requirements for all actions to be taken by the Master Association Members shall be as set forth herein or in the Master Bylaws. Notwithstanding the above, the affirmative vote of no less than two thirds (2/3) of all votes entitled to be cast by the Master Association Members shall be required in order for the Master Association to (i) file a complaint, on account of an act or omission of Declarant, with any governmental agency which has regulatory or judicial authority over the Property or any part thereof; or (ii) assert a claim against or sue Declarant.

Section 3.5. Membership in a Neighborhood Association. Wherever a Neighborhood Association shall have been established with respect to any Neighborhood in connection with an Additional Declaration, each and every Owner of a Lot within such Neighborhood shall automatically become and be a Member of such Neighborhood Association.

ARTICLE IV

MASTER ASSOCIATION ASSESSMENTS

Section 4.1. Covenant for Assessments. Declarant for each Lot owned by it after the Turnover Date, each Owner of any Lot other than Declarant, by acceptance of a deed or other conveyance document creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other conveyance document, shall be deemed to covenant and agree to pay to the Master Association.

(1) Annual assessments or charges (including Master Annual Assessments), such assessments to be fixed, established and collected from time to time as herein provided;

(2) Special Assessments for capital improvements and other purposes, such assessments to be fixed, established and collected from time to time as herein provided; and

(3) Special Individual Assessments levied against individual Owners, as may be fixed, established and collected from time to time as herein provided.

The assessments described in (1), (2) and (3) of this Section 4.1 (the "Assessments"), together with interest thereon, late charges, attorneys fees, court costs and other costs of collection thereof, as herein provided, shall be a charge on the land and shall be a continuing lien upon each Lot, against which each such Assessment is made and shall also be the personal obligation of the Owner, at the time when the Assessment fell due, of the Lot against which such Assessment is made. No Owner may exempt himself from liability for such Assessment or waive or otherwise escape liability for the Assessments by non use of the Master Common Area or abandonment of his property. The personal obligation to pay any such Assessment, together with interest thereon, attorneys' fees, late charges, court costs and other costs of collection thereof, as herein provided, shall pass to the successors in title of such Owner whether or not expressly assumed in writing by such successors; provided, however that such personal obligation to pay Assessments and other costs and charges shall not pass to Mortgagees or trustees under Mortgages of such Owner who succeed to the title of such Owner.

Section 4.2. Purpose of Master Association Assessments. The assessments levied by the Master Association shall be used for the purposes of the carrying out of the rights and powers of the Master Association pursuant to the terms and provisions hereof and promoting the enjoyment and welfare of the Property, and, in particular, but without limitation, for the following:

(a) Maintenance of any Master Common Areas within the Property to the extent repair and maintenance thereof shall not have been delegated to or required by a Neighborhood Association having jurisdiction thereover;

(b) Payment of all ad valorem taxes levied against the Master Common Areas and any other property owned by the Master Association;

(c) Payment of all premiums on all insurance carried by the Master Association pursuant hereto or pursuant to the Master Bylaws;

(d) Payment of all legal, accounting and other professional fees incurred by the Master Association in carrying out its duties as set forth herein or in the Bylaws;

(e) Carrying out the powers and duties of the Master Board as more particularly described in Article V hereof;

(f) Carrying out all other purposes and duties of the Master Association as stated in the Master Articles, the Master Bylaws and in this Declaration;

Section 4.3. Payment of Master Annual Assessments: Due Dates. The annual assessments levied by the Master Association (the "Master Annual Assessments") shall be paid as hereinafter set forth.

(a) The Master Annual Assessment provided for herein as to any Lot shall commence as of January 1, 2004.

(b) Subject to the provisions of (a) above, the Master Annual Assessments as to each Lot shall be due and payable in equal installments on a monthly basis commencing on January 1 of each calendar year. Provided, however, the Master Board, without the approval of any Master Association Member or Owner, may provide that the Master Annual Assessments be paid in installments due less frequently than monthly, and thereafter the Master Annual Assessments shall be paid in such manner and on such dates as may be fixed by the Master Board, in its sole discretion.

Section 4.4. Amount of Master Annual Assessments.

(a) It shall be the duty of the Master Board annually to prepare a budget (the "Annual Budget") covering the estimated costs of operating the Master Association during the coming year, taking into consideration, among other things, the then current development and/or maintenance costs to be borne by the Master Association, estimated increases in development and/or maintenance costs and the future needs of the Master Association (which may include a reasonable contingency).

(b) The initial Annual Budget has been set by Declarant and, based upon such Annual Budget, the Master Annual Assessments for the 2004 calendar year shall be Nine Hundred Dollars (\$900.00) for each Lot. The Master Annual Assessments for each and every calendar year; thereafter shall be set by the Master Board in accordance with subsection (c) below.

(c) Subsequent to the period set forth in Subsection (b) of this Section 4.4, the Master Annual Assessment to be levied against each Lot for a calendar year shall be in an amount as set by the Master Board in accordance with the following;

(1) For calendar year 2005 and thereafter the Master Board by a vote in accordance with the Bylaws without a vote of the Master Association Members may increase the Master Annual Assessment to be levied against each Lot by a maximum amount equal to the greater of (A) ten percent (10%) of the previous year's Master Annual Assessment or (B) the increase in the Consumer Price Index ("CPI") for the previous calendar year. CPI being defined as "Consumer Price Index All Urban Consumers United States All Items (1982-84 = 100) issued by the U.S. Bureau of Labor Statistics. If the CPI is discontinued, then there shall be used the index most similar to the CPI which is published by the United States Government indicating changes in the cost of living.

(2) If the Master Annual Assessment to be levied against each Lot is not increased by the maximum amount permitted under the terms of this Section 4.4(c), the difference between any actual increase which is made and the maximum increase permitted for that year shall be computed and the Master Annual Assessment to be levied against each Lot may be increased by that amount in a future year, in addition to the maximum increase permitted under the terms of the preceding sentence for such future year, by a vote of the Master Board, without a vote of the Master Association Members. Provided, however, after the Turnover Date, the Master Annual Assessment to be levied against each Lot may be increased without limitation if such increase is approved by a vote of no less than a majority of all votes entitled to be cast by Master Association Members, taken at a duly held meeting of such Master Association Members in accordance with the Master Bylaws.

(d) The Master Board shall fix the amount of the Master Annual Assessment as to each Lot for any calendar year and notify the Lot Owners or Neighborhood Associations, as applicable, in writing at least thirty (30) days prior to January 1 of such calendar year, of the amount and due date of each installment of such Master Annual Assessment to enable the Neighborhood Associations to include the new Master Annual Assessment in its Neighborhood assessments. The Neighborhood Associations shall collect the Master Annual Assessments from Owners of Lots in its Neighborhood as part of the Neighborhood assessments and shall forward the Master Annual Assessments for the Lots in its Neighborhood to the Master Association on a quarterly basis or such other basis as determined by the Master Board.

(e) Declarant shall have the authority, at its sole discretion, to reduce the Master Annual Assessment (i) on any Lot on which no structure has been completed (ii) no Certificate of Occupancy has been issued, or (iii) on any Lot owned by Declarant until such time as the Declarant sells or otherwise transfers ownership of its Lot.

Section 4.5. Special Assessments. In addition to the Master Annual Assessments described in Sections 4.3 and 4.4 above, the Master Board, without a vote of the Master Association Members, may levy in any assessment year or years a special assessment or assessments ("Special Assessments") for the purpose of defraying, in whole or in part, any costs incurred by the Master Association which are not paid for out of funds on hand in the Master

Association or out of the Master Annual Assessments collected by the Master Association. Such costs may include, but shall not be limited to, the costs of any construction, reconstruction, repair or replacement of a capital improvement upon or within the Master Common Area, including fixtures and personal property related thereto. Notwithstanding the above, all fees and costs incurred by the Master Association in exploring or waging a complaint or suit against Declarant must be paid for out of a Special Assessment and, for this purpose only, such a Special Assessment must be approved by a vote of the Master Association Members entitled to cast no less than seventy-five percent (75%) of all votes entitled to be cast by the Master Association Members. Special Assessments shall be assessed pursuant to this Section 4.5 against the Owners of Lots on a pro rata basis based upon, the number of Lots owned by each Owner. Provided, however, Declarant shall be obligated to pay any Special Assessments on Lots owned by Declarant except with Declarant's prior written approval. The due date of any Special Assessment levied pursuant to this Section 4.6 shall be fixed in the Master Board resolution authorizing such Special Assessment. Upon the establishment of a Special Assessment, the Master Board shall send written notice of the amount and due date of such Special Assessment to each Owner, including the Declarant as applicable, at least thirty (30) days prior to the date such Special Assessment is due.

Section 4.6. Special Individual Assessments. The Master Board may levy Special Assessments against individual Owners or a Neighborhood Association as provided in Article IX hereof ("Special Individual Assessments") (i) for the purpose of paying for the costs of any construction, reconstruction, repair or replacement of any damaged component of the Master Common Areas occasioned by the acts of Owner(s) and not the result of ordinary wear and tear, or (ii) for payment of fines, penalties or other charges imposed against an individual or separate Owner relative to such Owner's failure to comply with the terms and provisions of this Master Declaration, the Master Bylaws or any rules or regulations promulgated hereunder. Provided, however, that Declarant shall not be obligated to pay any Special Individual Assessment except with its prior written approval. The due date of any Special Individual Assessment levied pursuant to this Section 4.6 shall be fixed in the Master Board resolution authorizing such Special Individual Assessment. Upon the establishment of a Special Individual Assessment, the Master Board shall send written notice of the amount and due date of such Special Individual Assessment to the affected Owner(s) or the Declarant, as applicable, at least thirty (30) days prior to the date such Special Individual Assessment is due.

Section 4.7. Capitalization of Association (Working Capital). Upon conveyance of a deed from Declarant to an Owner, at the closing of such conveyance, each Owner shall contribute the sum of \$100.00 to the working capital of the Master Association. This amount shall be paid by the buyer at closing of the purchase of the Lot; shall be dispersed to the Master Association; shall not be considered as an advance payment of the regular assessments on such Lot; and shall not be refunded to the Owner upon the subsequent resale of such Lot. These funds shall not be used by Declarant to defray any of its construction or development expenses. These funds may be used by the Master Association for common expenses of the Association, and for the purposes of purchasing Master Common Area furnishings, equipment, supplies, and other approved Association expenditures.

Section 4.8. Omission of Master Association. The omission of the Master Board, before the expiration of any year, to fix the Master Annual Assessments hereunder for that or the next year, shall not be deemed to waive or modify in any respect any of the provisions of this Declaration, or to release any Owner from the obligation to pay the assessment due from such Owner for that or any subsequent year, and the Master Annual Assessments fixed for the preceding year shall continue until new Master Annual Assessments are fixed.

Section 4.9. Collection Agent. At the option of the Master Board, a representative of the Master Association designated by the Master Board may act as collection agent for any and all Assessments (whether Master Annual Assessments, Special Assessments or Special Individual Assessments) imposed by the Master Association against the Owners and the Declarant, as applicable.

Section 4.10. Owner's Personal Obligation for Payment of Assessments. The Master Annual Assessments, Special Assessments and Special Individual Assessments provided for herein shall be the personal and individual debt of the Owners and the Declarant, as applicable (as of the due date of the applicable Assessment payment) to which such Assessments relate. Pursuant to Section 4.5 hereof, no Owner other than Declarant may exempt himself from liability for such Assessments by non use of his property or the Master Common Area or otherwise. In the event of default in the payment of any such Assessment, the defaulting Owner or Declarant shall be obligated to pay interest at the rate of eighteen percent (18%) per annum or the highest rate permitted bylaw, whichever is less, on the amount of the Assessment from the due date thereof until the date such Assessment and interest is paid, together with all costs and expenses of collection, including reasonable attorneys' fees. In addition, the delinquent Owner or Declarant shall also pay such late charges as may have been theretofore established by the Master Board to defray the costs arising because of late payment.

Section 4.11. Non-Payment of Assessment. Any assessment levied pursuant to these covenants which is not paid on the date when due shall be delinquent and shall, together with such interest thereon and cost of collection thereof, as hereinafter provided, including reasonable attorney's fees, thereupon become a continuing lien which shall bind such lot in the hands of the then Owner, his heirs, devisees, personal representative and assigns. The personal obligation of the then Owner to pay such assessment, however, shall remain his personal obligation and shall not pass to his successors in title unless expressly assumed by them. Interest on delinquent assessments shall be charged at the lesser of one and one-half percent (1.5%) per month or the highest rate permitted by law.

Any assessment not paid within fifteen (15) days after the due date shall be subject to a late charge of Twenty Five and No/100 Dollars (\$25.00) and if not paid within thirty (30) days after the due date shall be subject to an additional late charge of Fifty and No/100 Dollars (\$50.00) or the highest amount permitted by law, whichever is less; and the Association may bring an action at law against the Owner personally obligated to pay the same, or to foreclose the lien against the Lot as provided in Section 47F-3-116 of the Act and interest, late payment charges, costs and reasonable attorney's fees related to such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the

assessments provided for herein by not using the Master Common Areas or by abandoning his Lot.

Section 4.12. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust on a Lot. Sale or transfer of any Lot shall not affect any assessment lien. However, the sale or transfer of any Lot which is subject to any mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot 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 first mortgage or deed of trust.

Section 4.13. Reserves. The Master Annual Assessments shall, as determined by the Master Board, include reasonable amounts as reserves for the future periodic maintenance, repair and/or replacement of all or a portion of the Master Common Areas. All amounts collected as reserves, whether pursuant to this Section 4.13 or otherwise, shall be deposited by the Master Association in a separate bank account to be held in trust for the purposes for which they were collected and are to be segregated from and not commingled with any other funds of the Master Association. Assessments collected as reserves shall not be considered to be advance payments of Master Annual Assessments.

Section 4.15. Certificate Regarding Assessments. The Master Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Master Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Master Association as to the status of assessments on a Lot is binding upon the Master Association as of the date of its issuance.

ARTICLE V

THE MASTER BOARD

Section 5.1. Members of the Master Board. During the period of Declarant control as provided in Section 3.3 hereof, Declarant shall have the right to appoint and remove any Members of the Master Board, which shall be comprised of an initial three (3) members. At the end of Declarant control period as provided in Article III hereof, the Members of the Master Board shall thereafter be elected by a vote of the Master Association Members in accordance with the Master Bylaws. Provided, however, Declarant may choose, in its sole discretion (subject to Section 3.3), to relinquish its right to appoint the members of the Master Board prior to the end of Declarant control, whereupon the Master Association Members shall thereafter elect the members of the Master Board in accordance with the Master Bylaws.

Section 5.2. Duties of the Master Board. The Master Board, for the mutual benefit of the Master Association Members and the Owners, shall have the following specific duties:

(a) To maintain or cause to be maintained the Master Common Areas, including, but not limited to, planting, mowing, pruning, fertilizing, preservation and replacement of the landscaping and the upkeep and maintenance of sidewalks, parking areas and other improvements in the Master Common Areas, and the upkeep and maintenance of associated improvements, including irrigation systems, if any;

(b) To make available to each Master Association Member within ninety (90) days after the end of each year an annual report of the Master Association and, upon resolution adopted by the Master Board or upon the written request of Master Association Members holding at least (50%) of the eligible votes of the Master Association at such time, to have such report audited (at the expense of the Master Association) by an independent certified public accountant, which audited report shall be made available to each Master Association Member within thirty (30) days after completion;

(c) To pay for the cost of electricity and/or gas and any lease payments for the installation and maintenance of street lights within the or other utilities serving any of the Master Common Areas;

(d) To cause to be kept a complete record of all its acts and corporate affairs;

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

(f) As more fully provided in this Declaration:

(1) To fix the amount of the Master Annual Assessments;

(2) To send written notice of the Master Annual Assessments to each Owner .

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

(h) To procure and maintain adequate liability insurance covering the Association and the directors and officers thereof and adequate hazard insurance on the property owned by the Association;

Section 5.3. Powers of the Master Board. The Master Board, for the mutual benefit of the Master Association Members and the Owners, shall have the following specific powers and rights (without limitation of other powers and rights such Master Board may have):

(a) To enter into agreements with the appropriate governmental authorities to enable the Master Association to improve and maintain the Master Common Areas or portions thereof,

(b) To make reasonable rules and regulations for the use and operation of the Master Common Areas, and to amend them from time to time and to collect fees for certain uses of the Master Common Areas by Owners and non-Owners;

(c) To enter into agreements or contracts with insurance companies with respect to insurance coverage relating to the Master Common Areas and Maintenance Areas and/or the Master Association;

(d) To enter into agreements or contracts with utility companies with respect to utility installation, consumption and service matters relating to the Master Common Areas and/or the Master Association;

(e) Subject to the affirmative vote of no less than a majority of all votes present, in person or by proxy, at a duly held meeting of the Master Association Members at which quorum is present, all in accordance with the Master Bylaws, to borrow funds to pay costs of operation of the Master Association, which borrowings may be secured by assignment or pledge of rights against delinquent Owners or by liens on other Master Association assets, if the Master Association Members see fit; provided, however, that so long as Declarant owns any portion of the Property or the Additional Property, the Master Board may not mortgage any portion of the Master Common Area without the prior written approval of Declarant;

(f) To enter into contracts, maintain one or more bank accounts, and, generally, to have all the powers necessary or incidental to the operation and management of the Master Association;

(g) To sue or defend in any court of law in behalf of the Master Association;

(h) To levy assessments and fines in accordance with the provisions of Article IV hereof;

(i) To adjust the amount, collect, and use any insurance proceeds to repair damage or replace lost property of the Master Association and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency;

(j) To exercise for the Master Association all powers, duties and authority vested in or delegated by this Declaration, the Master Bylaws, or the Master Articles to the Master Association and not reserved to the Master Association Members or Declarant by other provisions of this Declaration, the Master Bylaws or the Master Articles;

(k) To declare the office of a member of the Master Board to be vacant in the event such member shall be absent, without the consent of the Master Board, from three (3) consecutive regular meetings of the Master Board;

(l) To employ a manager or firm to manage the affairs and property of the Master Association, to employ independent contractors or such other employees as the Master Board may deem necessary, and to prescribe their duties and to set their compensation;

(m) To retain the services of legal and accounting firms;

(n) As more fully provided in this Declaration, to foreclose the lien against any property for which Assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same;

(o) To cause all officers or employees having fiscal responsibilities to be bonded as the Master Board may deem appropriate;;

(p) To the extent permitted hereby, to enforce the provisions of this Declaration and any Additional or Supplementary Declaration and any rules made hereunder or thereunder and to enjoin and/or, at its discretion, seek damages or other relief for violation of such provisions or rules and/or by Special Individual Assessments against any Owner for violation of such provisions or rules pursuant to the provisions of Section 4.7 hereof;

(q) To contract with any third party or any Master Association Member (including, without limitation, Declarant or any affiliate of Declarant) for performance, on behalf of the Master Association, of services which the Master Association is otherwise required to perform pursuant to the terms hereof, upon such commercially reasonable terms and conditions and for such consideration as the Master Board may deem proper, advisable and in the best interests of the Master Association;

(r) To grant all necessary easements and rights of way over and across the Master 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, security system and other utilities and drainage facilities; provided, however, that for so long as Declarant owns any portion of the Property or the Additional Property, the Master Board may not grant such an easement or right of way without the prior written approval of Declarant;

(s) To convey fee simple title or easements to all or any part of the Master Common Area when in its sole discretion it deems such an action to be necessary and appropriate; provided, however, that for so long as Declarant owns any portion of the Property or the Additional Property, the Master Board may not convey any portion of the Master Common Area without the prior written approval of Declarant;

(t) To contract with any third party, including any Neighborhood Associations, for the sharing of costs of maintaining Maintenance Areas;

(u) 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 or for the operational protection of the Master Association;

Section 5.4. Liability Limitations. Neither Declarant, nor any Master Association Member, nor the Master Board, nor the Master Association, nor any officers, directors, agents or employees of any of them shall be personally liable for debts contracted for or otherwise incurred by the Master Association or for a tort of another Master Association Member, whether or not such other Master Association Member was acting on behalf of the Master Association or

otherwise. Neither Declarant, nor the Master Association, nor their directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof or for failure to repair or maintain the same. Declarant, the Master Association or any other person, firm or association making 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 Master Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Master Board from and against any and all loss, cost, expense, damage, liability, claim, action or cause of action arising from or relating to the performance by the Master Board of its duties and obligations, except for any such loss, cost, expense, damage, liability, claim, action or cause of action resulting from the gross negligence or willful misconduct of the person(s) to be indemnified.

Section 5.5. Reserve Funds. The Master Board may establish reserve funds which may be maintained and accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts in order to better demonstrate that the amounts deposited therein are capital contributions and not net income to the Master Association. The aggregate deposits in such reserve funds shall not exceed an amount as may be reasonably determined by the Master Board to be necessary.

ARTICLE VI

PROPERTY RIGHTS IN THE MASTER COMMON AREAS

Section 6.1. Owners' Easements of Enjoyment. Subject to the provisions of Section 6.5, every Owner, and each individual who resides with such Owner and guests of such Owner, shall have a right and easement of use and enjoyment in and to the Master Common Areas, and such easement shall be appurtenant to and shall pass with the title to such Owner's Lot or other property; PROVIDED, HOWEVER, such easement(s) shall not give such person the right to make alterations, additions or improvements to any part of any Master Common Area.

Section 6.2. Owners' Easements for Ingress and Egress. Every Lot or portion of the Property shall be conveyed with (and each Owner is hereby conveyed) a perpetual, non-exclusive right and easement of ingress and egress over in and to the Master Common Areas.

Section 6.3. Title to the Master Common Area.

(a) Declarant shall dedicate and convey by special warranty deed the fee simple title to the Master Common Area to the Master Association, free and clear of all encumbrances and liens other than the lien of current taxes and assessments not in default, restrictive covenants, utility easements and any other encumbrances and conditions outstanding and of record. The conveyance of any portion of the Master Common Area shall occur within one (1) year from the date that a Plat or Plats is recorded showing such portion of the Master Common Area. The Master Common Area may be conveyed by Declarant to the Master Association in whole or in part from time to time.

(b) Notwithstanding the recordation of any Plat or any other action by Declarant or the Master Association, all Master Common Areas shall remain private property and shall not be considered as dedicated to the use and enjoyment of the public.

Section 6.4. Control of Master Common Areas. The Master Board shall have sole and exclusive control and authority over the usage of and guidelines with respect to the Master Common Areas. Provided, however, the Master Board, in its sole discretion, may by resolution or guideline permit a Neighborhood Association, the property under the jurisdiction of which shall include or be adjacent to a Master Common Area, to either (a) maintain or improve, in whole or in part, the Master Common Area or (b) promulgate regulations with respect to its Members' usage of the Master Common Area. Provided, however, any such authority delegated by the Master Association may be revoked, rescinded, or otherwise terminated at any time by the Master Association.

Section 6.5. Extent of Owners' Easements. The rights and easements of enjoyment of the Master Common Areas created hereby shall be subject to the following:

(a) The right of the Master Association or a Neighborhood Association to prescribe regulations governing the use, operation and maintenance of the Master Common Area (including limiting the number of guests of Owners who may use such Master Common Area) subject to limitations established by Declarant or the Master Association, as applicable, on such right to impose regulations;

(b) Subject to the affirmative vote of no less than a majority of all votes present, in person or by proxy, at a duly held meeting of the Master Association Members at which a quorum is present, all in accordance with the Master Bylaws, the right of the Master Association, in accordance with the Master Articles and Master Bylaws, to borrow money for the purpose of improving the Master Common Area and facilities thereon and in aid thereof to mortgage the Master Common Area, provided the rights of such mortgagee in the Master Common Area shall be subordinate to the rights of the Owners hereunder with regard to the Master Common Area, and further provided that for so long as Declarant owns any portion of the Property or the Additional Property, the Master Association may not mortgage any portion of the Master Common Area without the prior written approval of Declarant;

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

(d) The right of the Master Board to grant easements upon, over, under and across, or convey fee simple title to, all or any part of the Master Common Area when in its sole discretion it deems such an action to be necessary and appropriate; provided, however, that for so long as Declarant owns any portion of the Property or the Additional Property, the Master Board may not grant easements upon, over, under and across, or convey fee simple title to, any part of the Master Common Area without the prior written approval of Declarant.

ARTICLE VII

INSURANCE AND CONDEMNATION

Section 7.1. Insurance. The Master Board shall obtain and maintain at all times insurance of the type and kind and in no less than the amounts set forth below:

(a) Fire. All improvements and all fixtures and personal property included in the Master Common Areas and all personal property and supplies belonging to the Association shall be insured in an amount equal to the current replacement cost (exclusive of land, foundation, excavation and other normally excluded items) as determined annually by the Master Board with the assistance of the insurance company providing coverage. The Master Board shall, at least annually, review the insurance coverage required herein and determine the current replacement cost of such improvements and fixtures and personal property and supplies. Such coverage shall provide protection against loss or damage by fire or other hazards covered by a standard extended coverage endorsement, windstorm and water damage, vandalism and malicious damage and all perils covered by a standard "all risk" endorsement. In addition to the provisions and endorsements set forth in Section 7.3 and Section 7.4, the fire and casualty insurance described herein shall contain the following provisions:

- (1) standard "Agreed Amount" and "Inflation Guard" endorsements;
- (2) construction code endorsements if the Master Common Area becomes subject to a construction code provision which would require changes to undamaged portions of any building thereby imposing significant costs in the event of partial destruction of such building by an insured peril;
- (3) a waiver of subrogation by the insurer as to any claims against the Master Association, any officer, director, agent or employee of the Master Association, the Owners and their employees, agents, tenants and invitees; and
- (4) a provision that the coverage will not be prejudiced by act or neglect of one or more Owners when said act or neglect is not within the control of the Master Association or by any failure of the Master Association to comply with any warranty or condition regarding, my portion of the Property over which the Master Association has no control. The fire and casualty insurance policy shall not contain (and the insurance shall not be placed with companies whose charters or Bylaws contain) provisions whereby:
(1) contributions or assessments may be made against the Master Association, the Owners or Mortgagees; (2) loss payments are contingent upon action by the carrier's directors, policy holders or members; and (3) there are limiting clauses (other than insurance conditions) which could prevent Owners or Mortgagees from collecting the proceeds.

(b) Public Liability. The Master Board shall also be required to obtain and maintain, to the extent obtainable, public liability insurance and officer's and director's liability insurance in such limits as the Master Board may, from time to time, determine to be customary for projects similar in construction, location and use as the Property, covering each member of the Master Board, the managing agent, if any, and each Owner with respect to his liability arising out of the ownership, maintenance, or repair of the Master Common Areas, or from service on the Master Board; provided, however, in no event shall the amounts of such public liability insurance ever be less than \$2,000,000 per occurrence against liability for bodily injury, including death resulting therefrom, and damage to property, including loss of use thereof, occurring upon, in or about, or arising from or relating to, the Property or any portion thereof, nor shall the amount of such officer's and director's insurance be less than \$2,000,000 unless such coverage is determined by the Master Board to be unreasonably expensive. Such insurance shall include endorsements covering cross liability claims of one insured against another, including the liability of the Owners as a group to a single Owner. The Master Board shall review such limits annually. Until the first meeting of the Master Board following the initial meeting of the Master Association Members, such public liability insurance shall be in amounts of not less than \$2,000,000 per occurrence for claims for bodily injury and property damage and such officer's and director's liability insurance shall be in amounts not less than \$2,000,000.

(c) Fidelity Coverage. The Master Board shall also be required to obtain fidelity coverage against dishonest acts on the part of all persons, whether officers, directors, trustees, employees, agents or independent contractors, responsible for handling funds belonging to or administered by the Master Association. The fidelity insurance policy shall be written in an amount sufficient to provide protection which is in no event less than one and one half times the Master Association's estimated annual operating expenses and reserves. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

(d) Other. Such other insurance coverage, including flood insurance and worker's compensation, as the Master Board shall determine from time to time desirable.

Section 7.2. Premium Expense. Premiums upon insurance policies purchased by the Master Board shall be paid by the Master Board and charged as a common expense to be collected from the Members pursuant to Article IV hereof.

Section 7.3. Special Endorsements. The Master Board shall make diligent efforts to secure insurance policies that will provide for the following:

(a) coverage that may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to the named insured, any insurance trustee and all Mortgagees; and

(b) coverage that cannot be canceled, invalidated or suspended on account of the conduct of any officer or employee of the Master Board without prior demand in writing that the

Master Board cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Master Association, any Owner or any Mortgagee.

Section 7.4. General Guidelines. All insurance policies purchased by the Master Board shall be with a company or companies licensed to do business in the State of North Carolina and holding a rating of "A VIII" or better by the current issue of Best's Insurance Reports. All insurance policies shall be written for the benefit of the Master Association and shall be issued in the name of and provide that. All proceeds thereof shall be payable to the Master Association. Notwithstanding any of the foregoing provisions and requirements relating to insurance, there may be named as an insured, on behalf of the Master Association, the Master Association's authorized representative, who shall have exclusive authority to negotiate losses under any policy providing such insurance.

Section 7.5. Insurance Proceeds. Subject to any limitations imposed by any applicable financing documents, the Master Association shall use the net proceeds of casualty insurance covered by it 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 Master Association remaining after satisfactory completion of repair and replacement shall be retained by the Master Association as part of the general reserve fund for repair and replacement of the Master Common Area and/or Maintenance Areas.

Section 7.6. Insufficient Proceeds. If the insurance proceeds received by the Master Association are insufficient to reimburse, to repair and/or replace any damage or destruction to person or property, the Master Board may levy a Special Assessment against the Owners to cover the deficiency.

Section 7.7. Owner's Personal Property. The Master Association, the Associations or Declarant shall not be liable in any manner for the safekeeping or condition of any personal property belonging to or used by any Owner or his family, guests or invitees, located on or used at the Master Common Areas. Further, the Master Association, the Associations or Declarant, shall not be responsible or liable for any damage or loss to any personal property of any Owner, his family, guests or invitees located on or used at the Master Common Areas. Each Owner shall be solely responsible for all personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase of, at such Owner's sole cost and expense, any liability or other insurance for damage to or loss of such property.

Section 7.8. No Obligation to Insure Owners' Property. By virtue of taking title to a Lot within the Property, each Owner acknowledges that neither the Master Association nor Declarant has any obligation to provide any insurance for any portion of such Lot or any Dwelling Unit or other property located thereon.

Section 7.9. Security. The Master Association may, in its sole discretion, but shall not be obligated to, provide certain security protection measures, and maintain or support certain other activities within the Property designed to make the Property safer than it might otherwise be. Provided, however, should the Master Association provide, maintain or support any such measures or activities, then neither the Master Association, the Master Board, Declarant, nor any

successor of Declarant shall in any way be considered insurers or guarantors of security or fire protection within the Property, and neither the Master Association, Declarant nor any successor of Declarant shall be held liable for any loss or damage by reason or failure to provide or take any security or fire protection measures or for the ineffectiveness of any such measures undertaken. Each Owner and Occupant of any Lot and each tenant, guest and invitee thereof acknowledges and understands that neither the Master Association, the Master Board, Declarant nor any successor of Declarant are insurers, and each such Owner, and Occupant of a Lot and their tenants, guests and invitees hereby assume all risks for loss or damage to persons, property or contents belonging to any such persons.

Section 7.10. Condemnation. Whenever all or part of the Master Common Area shall be taken or condemned by any authority having the power of eminent domain, all compensation and damages for and on account of such taking shall be paid to the Master Association. The Master Association, acting through the Master Board, shall have the right to negotiate and litigate the issues with respect to the taking and compensation affecting the Master Common Area, without limitation on the right of the Owners to represent their own interests. Each Owner, by his acceptance of a deed to a Lot, or other portion of the Property, hereby appoints the Master Association as his attorney in fact to negotiate, litigate or settle on his behalf all claims arising from the condemnation of the Master Common Area. All compensation and damages paid to the Master Association on account of such a taking shall be used to restore the Master Common Area, provided such restoration is possible, with the excess, if any, to be retained by the Master Association and applied to future operating expenses by the Master Board, in its sole discretion. Nothing herein is to prevent Owners whose Lots or other property are specifically affected by the taking or condemnation from joining in the condemnation proceedings and petitioning on their own behalf for consequential damages relating to loss of value of the affected Lots or other property, or improvements, fixtures or personal property thereon, exclusive of damages relating to the Master Common Area. In the event that the condemnation award does not allocate consequential damages to specific Owners, but by its terms includes an award for reduction in value of Master Common Area, Lots or other property without such allocation, the award shall be divided between affected Owners and the Master Board, as their interests may appear, by the Master Board in its sole discretion.

ARTICLE VIII

RESTRICTIONS

By Additional Declarations, Declarant may impose and file in regard to various Neighborhoods or Phases of the Property controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens relating to, without limitation, types of permissible uses, types of improvements, general development and improvement standards and other matters. Without limiting the provisions that may be included in such Additional Declarations, the Property, each Lot situated thereon and the Master Common Area shall be occupied and/or used subject to the following:

Section 8.1. Uses. (a). Each Lot situated on the Townhome Tract shall be used exclusively for single-family, non-transient residential purposes. (b). Each 2nd Floor Lot situated on

the Condominium Tract shall be used exclusively for single family, non-transient residential purpose (c). Each First Floor Lot situated on the Condominium Tract shall be used for general business purposes as permitted under the zoning regulations of the Town of Matthews applicable to the Property; provided however under no circumstances shall any First Floor Unit be used for:

1. Commercial schools.
2. Laboratories (not incidental to permitted uses).
3. Post offices.
4. Radio and TV stations.
5. Beauty and barber shops.
6. Blueprinting and photostating.
7. Restaurants.
8. Nail salons.
9. Coin operated laundry facilities.

Provided, however, Declarant, and its respective successors or assigns (by written assignment) shall have the right to use the Lots designated from time to time by Declarant for the purpose of construction and operation of construction offices and sales/marketing offices (and for related uses) for the Property.

Section 8.2. Utilities. All utilities and utility connections shall be located underground, including electrical and telephone cables and wires.

Section 8.3. Restricted Activities by Lot Owners in Master Common Areas. No cutting of vegetation, dumping, digging, filling, destruction or other waste shall be committed on the Master Common Areas. There shall be no obstruction of the Master Common Area, nor shall anything be kept or stored in the Master Common Areas, nor shall anything be altered, or constructed or planted in, or removed from, the Master Common Areas, without the prior written consent of the Master Association. No boats, recreation vehicles, campers, motorcycles (unless the primary vehicle of the owner), tractors, trucks (other than one pick-up truck rated a one ton or less), or trailers of any Lot Owner or member of his/her family, his tenants, guests or contract purchasers shall be parked within the Master Common Area. No inoperative or abandoned vehicle or automobile shall be parked or stored within the Master Common Area. Each Owner or Occupant shall be liable to the Master Association and/or Declarant for any damage to any Master Common Area caused by the negligence or willful misconduct of the Owner or Occupant or his family, tenants, guests, agents, employees, or invitees. Provided, however, the provisions

of this Section 8.3 shall not apply to Declarant in connection with its construction activities on the Property.

Section 8.4. Governmental Requirements. Nothing herein contained shall be deemed to constitute a waiver of any governmental requirements applicable to any Lot and all applicable governmental requirements or restrictions relative to the construction of Improvements on and/or use and utilization of any Lot shall continue to be applicable and shall be complied with in regard to the Lots. Each Owner shall comply with all laws, regulations, ordinances (including, without limitation, applicable zoning ordinances) and other governmental rules and restrictions in regard to the Lot(s) or other portion of the Property owned by such Owner.

Section 8.5. Occupants Bound. All provisions of this Declaration, any Additional Declaration, and the Master Bylaws and any and all rules and regulations, use restrictions or any architectural and landscape guidelines promulgated by any Neighborhood Association pursuant which governs the conduct of Owners in such Neighborhood and which provide for sanctions against Owners shall also apply to all Occupants even though Occupants are not specifically mentioned.

Section 8.6. Neighborhood Architectural Committees. The Neighborhood Declaration for each Neighborhood may establish a Architectural Committee to oversee the development and enforcement of architectural control standards and restrictions with respect to each Neighborhood to insure the standards of maintenance and quality of the homes within the Property. Any architectural guidelines developed by an Architectural Committee shall be approved by the Master Board, with the Declarant having the right in its sole discretion to reject any guidelines (or portions thereof) approved by the Master Board. Upon such rejection by Declarant, the guidelines shall be modified by the Architectural Committee to conform to the suggestions of Declarant.

ARTICLE IX

EASEMENTS AND OTHER RIGHTS

Declarant, in addition to any other easements granted or reserved herein, hereby reserves unto itself and its respective successors and assigns, and grants to the Master Association and any other persons or entities hereinafter set forth, the following non exclusive easements on, upon, over, across, through and under the Property. In addition, Declarant hereby reserves unto itself, its successors and assigns, the right, on behalf of itself and the Master Association, to grant additional easements on, upon, over, across, through and under the Master Common Areas and any portion of the Property owned by Declarant as deemed to be in the best interests of and proper for the Property, including, but not limited to, easements in favor of Declarant, the Master Association, the Neighborhood Associations, any designees of the foregoing, the Owners, and all their family members, guests, invitees and lessees and to various governmental and quasi governmental authorities and agencies and private concerns for the purposes and uses hereinafter specified.

Section 9.1. Easements and Cross Easements on Master Common Areas. Declarant, for itself, its respective designees, successors and assigns and the Master Association, reserves the right to impose upon the Master Common Areas henceforth and from time to time such easements and cross easements for ingress and egress, installation, maintenance, construction and repair of utilities and facilities including, but not limited to, electric power, telephone, cable television, master antenna transmission, surveillance services, governmental and quasi governmental purposes, sewer, water, gas, drainage, irrigation, storm water management, lighting, television transmission, garbage and waste removal, emergency services, and the like as it or they deem to be in the best interests of, and necessary and proper for, the Property or any portion thereof.

Section 9.2. Use of Master Common Areas. Declarant declares that the Master Common Areas are subject to a perpetual nonexclusive easement in favor of Declarant, the Master Association and their respective designees, successors and assigns and the Associations, the Owners and all their family members, guests, invitees and lessees, and appropriate governmental and quasi governmental agencies to use the Master Common Areas for all proper and normal purposes including, but not limited to, ingress, egress and access for the furnishing of services and utilities and for such use of the facilities as the same are reasonably intended in accordance with the terms of this Declaration and any Additional Declaration. If ingress or egress to any Lot or other portion of the property is through any Master Common Area, any conveyance or encumbrance of such area is subject to this easement.

Section 9.3. Right of the Master Association and Declarant to Enter Upon the Master Common Areas. Declarant hereby reserves for the benefit of itself, its successors in interest and assigns, and grants to the Master Association and all agents, employees or other designees of Declarant or the Master Association an easement for ingress, egress and access to enter upon or over the Master Common Areas for the purposes of inspecting any construction, proposed construction, or Improvements or fulfilling the rights, duties and responsibilities of ownership, administration, maintenance and repair of Declarant or the Master Association, as appropriate. Such easement includes an easement in favor of the Master Association and Declarant to enter upon the Master Common Areas now or hereafter created to use, repair, maintain and replace the same for the purposes for which they are initially designated or for such purposes as they are hereafter redesignated or as Declarant otherwise determines them to be reasonably suited. Notwithstanding the foregoing, nothing contained herein shall be interpreted as imposing any obligation upon the Master Association or Declarant to maintain, repair, or construct Improvements which an Owner or Association is required to maintain, construct or repair.

Section 9.4. Easement for Encroachments. Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Master Association, the Neighborhood Associations, the Owners, their successors and assigns, and to the Occupants of Lots, easements for encroachments, to the extent necessary, in the event any portion of the Improvements located on any portion of the Property now or hereafter encroaches upon any of the remaining portions of the Property as a result of minor inaccuracies in survey, construction or reconstruction, or due to settlement or movement. Any easement(s) for encroachment shall include an easement(s) for the maintenance and use of the encroaching Improvements in favor of

Declarant, the Master Association, the Neighborhood Associations, the Owners and all their designees.

Section 9.5. Utility and Drainage Easements. The Property shall be subject to all easements and rights of way for utilities and drainage shown on the Plats, including, but not limited to, those certain easements shown and designated on the Plats as:

- (a) "Utility Easement";
- (b) "Storm Drainage Easement";
- (c) "Sanitary Sewer Easement";

Such easements are hereby reserved for the use of Declarant, its successors and assigns, and are hereby established for the use of the Master Association and/or the Neighborhood Associations, their respective successors and assigns.

Section 9.6. Easement on Townhome Tract. Declarant hereby reserves, for the benefit of itself, the Master Association, the Neighborhood Associations, the Owners, their successors and assigns, a non-exclusive easement and right of way over and under a ten (10) foot strip of land adjacent to the rear boundary lines of all Lots within the Townhome Tract for the installation and maintenance of parking area, sidewalks, utilities and landscaping.

Section 9.7. Declarant's Right to Assign Easements; Maintenance of Easement Areas. Declarant shall have the right to assign and convey, in whole or in part, the easements reserved by it hereunder. The areas burdened by the easements and rights of way reserved by Declarant on each Lot or other portion of the Property pursuant hereto, including any Improvements in such areas, which are not to be maintained by the Master Association, any Neighborhood Association or a public authority or utility, shall be maintained continuously by each Owner of such Lot or other portion of the Property, but no structures, plantings or other material shall be placed or permitted to remain upon such areas or other activities undertaken thereon which may damage or interfere with the installation or maintenance of utilities or other services, or which may retard, obstruct or reverse the flow of water or which may damage or interfere with established slope ratios or create erosion problems. Declarant and/or the Master Association and any Neighborhood Association may exercise the rights reserved in Section 10.2 hereof for the purpose of enforcing the provisions of this Section 9.7. Notwithstanding the above, the Master Association, any Neighborhood Association and/or Declarant shall have the right, but not the obligation, to maintain the landscaping in the easement areas on any Lot.

Section 9.8. Easement Reserved for the Master Association, Neighborhood Associations and Declarant. Full rights of access, ingress and egress are hereby reserved by Declarant for itself, the Master Association and the Neighborhood Associations at all times over and upon any Lot, Master Common Area or other portion of the Property for the exercise of the easement rights described in this Article IX as well as the maintenance and repair rights described in Article X below and for the carrying out by Declarant, the Master Association or the Neighborhood Associations of the rights, functions, duties and obligations of each hereunder;

provided, that any such entry by Declarant, the Master Association or the Neighborhood Associations upon any Lot or portion of the Property shall be made with the minimum inconvenience to the Owner of such property as is reasonably practical, and any damage caused as a result of the gross negligence of Declarant, the Master Association, the Neighborhood Associations or their employees or agents shall be repaired by Declarant, the Master Association or the Neighborhood Associations, as the case may be, at the expense of Declarant, the Master Association or the Neighborhood Associations, as the case may be.

Section 9.9. Additional Easements. Declarant shall have the right to grant over, under, across and upon any portion of the Property owned by Declarant, and the Master Board shall have the authority, in its sole discretion, to grant over, under, across and upon the Master Common Areas, such easements, rights of way, licenses and other rights in accordance with or to supplement the provisions of this Declaration or as may otherwise be desirable for the development of the Property, by the execution, without further authorization, of such grants of easement or other instruments as may from time to time be necessary or desirable. Such easements may be for the use and benefit of persons who are not Master Association Members or Owners. After such time as the members of the Master Board are no longer appointed by Declarant, the Master Board shall cooperate with Declarant and execute such grants of easements over the Master Common Areas as may be desirable to Declarant for the development of the Property and the preservation and enhancement of Declarant's interest therein.

Section 9.10. No Merger of Easements. The easements hereby established shall not be terminated by merger or otherwise, except upon execution and recordation of an instrument specifically terminating any such easement.

ARTICLE X

MAINTENANCE BY OWNERS

Section 10.1. Duty of Maintenance. Except for those portions, if any, of a Lot which the Master Association or any Neighborhood Association may elect to maintain or repair hereunder or under any applicable Additional Declaration, the Owner of any Lot shall have the duty and responsibility, at such Owner's sole cost and expense, to keep the Lot(s) owned by such Owner, including Improvements thereon and ground and drainage easements or other rights of way incident thereto, in compliance with the covenants, conditions, restrictions and development standards contained in this Declaration (to the extent applicable), and in any applicable Additional Declaration, in accordance with the provisions of the Neighborhood Association architectural and landscape guidelines, and in a well-maintained, safe, clean and attractive condition at all times.

A. Maintenance shall also mean repair of damage and deterioration to Improvements, it being understood and agreed that if any Improvements are damaged or destroyed by fire or other casualty, then within six (6) months following the date such damage or destruction occurs, the Owner of the Lot on which such Improvements are situated, must repair and restore such damaged Improvements (in accordance with plans and specifications approved by the Neighborhood Association Architectural Committee and otherwise in accordance with the

terms and provisions of this Declaration and of each Additional Declaration applicable thereto) or remove such damaged Improvements and restore the Lot to its condition existing prior to the construction of such Improvements. Such repair or restoration may continue beyond such six (6) month period provided that the Owner commences repair or restoration during the six (6) month period and diligently pursues such repair or restoration through completion.

Notwithstanding anything contained herein to the contrary, the above described maintenance responsibilities as to any Lot shall commence only upon a Plat showing such Lot being recorded in the Office of the Register of Deeds of Mecklenburg County and upon the conveyance of such Lot to anyone other than Declarant.

Section 10.2. Enforcement. If an Owner of any Lot has failed in any of the duties or responsibilities of such Owner as set forth in this Article X, then the Master Board and/or Declarant, jointly and severally, 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 as described in this Article X. Provided, however, this cure period shall be extended for a time not to exceed thirty (30) days so long as Owner shall have commenced to cure such nonconformity and shall diligently prosecute the same. Should any such Owner fail to fulfill this duty and responsibility within such period, then the Master Association, acting through its authorized agent or agents, or Declarant (so long as it owns any portion of the Property), acting through its authorized agent or agents, jointly or severally, shall have the right and power to enter onto the premises of such Owner and perform such care and maintenance without any liability for damages for wrongful entry, trespass or otherwise to any Person. The Owner of the Lot on which such work is performed shall be liable for the cost of such work, together with interest on the amounts expended by the Master Association or Declarant in performing such work computed at the highest lawful rate as shall be permitted by law from the date(s) such amounts are expended until repayment to the Master Association or Declarant, as the case may be, and for all costs and expenses incurred in seeking the compliance of such Owner with his duties and responsibilities hereunder, and such Owner shall reimburse the Master Association or Declarant, as the case may be, on demand for such costs and expenses (including interest as above provided). If such Owner shall fail to reimburse the Master Association or Declarant, as the case may be, within thirty (30) days after the mailing to such Owner of a statement for such costs and expenses, then, without limitation of any other rights of the Master Association or Declarant, the Master Association may impose a Special Individual Assessment against such Owner. Declarant has the right to assign to the Master Association the rights of Declarant under this Section 10.2.

ARTICLE XI

RIGHTS OF MORTGAGEES

Section 11.1. Rights of Mortgagees. Any Mortgagee shall have the following rights, to wit:

(a) To be furnished at least one copy of the annual financial statement of the Master Association, such annual statement and report to be furnished within ninety (90) days following the end of each fiscal year;

(b) To be given notice by the Master Association of the call of any meeting of the Master Association Members, and to designate a representative to attend all such meetings;

(c) To be given prompt written notice of any delinquency in the payment of assessments or charges owed by an Owner of a Lot subject to the Mortgage of such Mortgagee, where such delinquency has continued for a period of sixty (60) days, or notice of any other default under this Declaration, the Master Bylaws or any rules and regulations promulgated by the Master Association by any Owner owning a Lot encumbered by a Mortgage held by the Mortgagee;

(d) To be given prompt written notice of any casualty loss or loss by eminent domain or other taking of the Master Common Areas or any Lot encumbered by a Mortgage held by the Mortgagee;

(e) To be given prompt written notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Master Association;

(f) To be given prompt written notice of any eminent domain or condemnation proceeding affecting the Property; and

(g) To be given prompt written notice of any proposed action which would require the consent of a specified percentage of votes of the Master Association Members.

Whenever any Mortgagee desires the provisions of this Section to be applicable to it, it shall serve or cause to be served written notice of such fact upon the Master Association by certified mail, return receipt requested, addressed to the Master Association and sent to its then current address, identifying the property in the Property upon which any such Mortgagee holds any Mortgage or identifying any property in the Property owned by it, together with sufficient pertinent facts to identify any Mortgage which may be held by it and which notice shall designate the place to which notices are to be given by the Master Association to such Mortgagee.

Section 11.2. Books and Records. Any Mortgagee will have the right to examine the books and records of the Master Association during any reasonable business hours.

Section 11.3. Payment of Taxes and Insurance Premiums. The Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge or lien against the Master Common Areas and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy for property owned by the Master Association and the persons, firms or corporations making such payments shall be owed immediate reimbursement therefor from the Master Association.

Section 11.4. Names and Addresses of Mortgagees. Upon request, each Owner shall be obligated to furnish to the Master Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

Section 11.5. Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Master Board to respond to or consent to any action shall be deemed to have approved such action if the Master Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Master Board's request.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.1. Duration. This Declaration and the controls, covenants, restrictions and standards set forth herein shall run with and bind the Property and any Owner, and shall inure to the benefit of every Owner of a Lot in the Property and every Owner of any other portion of the property, including Declarant, and its heirs, successors, and assigns, for a term of thirty (30) years beginning on the date this Declaration is recorded in the Office of the Register of Deeds of Mecklenburg County, North Carolina. At the end of such thirty (30) year period, the easements, covenants, conditions and restrictions set forth herein shall automatically be extended for successive period(s) of ten (10) additional years, unless prior to the expiration of a respective period, by two thirds (2/3) vote of the Master Association Members, there shall be adopted a resolution to terminate these covenants and restrictions. Owners may vote in person or by proxy at a meeting duly called for such purpose at which a quorum is present, written notice of which shall have been given to all Owners at least thirty (30) days in advance of the date of such meeting, which notice shall set forth the purpose of such meeting. The foregoing shall not limit the right of Declarant to amend and/or supersede, in whole or in part, the terms and provisions hereof, as such right in favor of Declarant is described in Section 13.2 below.

Section 12.2. Amendment. Subject to the limitations hereinafter contained, this Declaration may be amended or modified at any time by a vote of no less than sixty seven percent (67%) of all votes entitled to be cast by the Master Association Members. Further provided, that any amendment or modification to this Declaration must be consented to by Declarant, so long as Declarant is the Owner of any Lot or other portion of the Property, which consent Declarant may grant or withhold in its sole discretion. Any amendment or modification upon which the vote of Master Association Members is required pursuant to this Section 12.2 shall become effective when an instrument executed by the Master Association Members voting for such amendment or modification is filed of record in the Office of the Register of Deeds of Mecklenburg County, North Carolina; provided, however, such an amendment or modification, in lieu of being executed by the Master Association Members voting for such amendment or modification, may contain a certification of the Secretary of the Master Association stating that the amendment or modification has been voted on and approved by the requisite number of votes of the Master Association Members, as provided in this Section 12.2. In addition, Declarant, without obtaining the approval of any Master Association Member or any Owner or Owners other than Declarant, may make amendments or modifications hereto which are correctional in nature only and do not involve a change which materially adversely affects the rights, duties or

obligations specified herein. In addition to the foregoing rights, Declarant may, at Declarant's option, amend and modify this Declaration and any Additional Declaration without obtaining the consent or approval of any other person or entity if such amendment or modification is necessary to cause this Declaration or any such Additional Declaration to comply with the requirements of FHA, VA, the Federal National Mortgage Association or other governmental agency.

Section 12.3. Enforcement. The Master Association, any Neighborhood Association, Declarant or any Owner shall have the right, but not the obligation, on its own behalf or on behalf of others, to enforce the provisions of this Declaration or any Additional Declaration. Enforcement of the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens for which provision is made in this Declaration shall be by a proceeding at law or in equity (or otherwise, as provided in this Declaration) against any person or persons violating or attempting to violate any such control, covenant, condition, restriction, easement, development guideline, charge or lien, either to restrain such violation or to recover damages, and against the land to enforce any lien created by these covenants; and failure by the Master Association, any Neighborhood Association, Declarant or any Owner to enforce any such control, covenant, condition, restriction, easement, development guideline, charge or lien shall in no event be deemed a waiver of the right to do so thereafter or of any other or future violation of any thereof.

Section 12.4. Severability of Provision. 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 or phrases of this Declaration shall continue in full force and effect and shall not be affected thereby. It is hereby declared that the 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 12.5. Notice. Except as otherwise set forth herein expressly, whenever written notice to an Owner, Master Association Member or Member (including Declarant) is required hereunder, such notice shall be given by the mailing of same, postage prepaid, to the address of such Owner, Master Association Member or Member appearing on the records of Declarant, the Master Association or the Neighborhood Association of which such Owner is a Member. 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.

Section 12.6. 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 12.7. No Exemption. Except as specifically provided herein to the contrary, no Owner or other party may exempt himself from the coverage hereof or obligations imposed hereby by non-use of such Owner's Lot(s) or other property located within the Property or the Master Common Area.

Section 12.8. Changes to Plans for the Property. Nothing contained herein shall be deemed to incorporate, by reference or otherwise, any plans or proposals promulgated by Declarant with respect to the development of the Property, and Declarant, subject to the covenants, conditions and restrictions contained in this Declaration and any Additional Declaration, reserves the right to change any plans for the Property at any time and from time to time as Declarant may determine to be necessary based upon Declarant's continuing research and design program and/or market conditions, and any plans for the Property shall not bind Declarant or its successors and assigns to adhere to such plans in the development of the Property or any part thereof. In addition, Declarant reserves the right to change, from time to time, the uses and densities that exist on any portion(s) of the Property owned by Declarant, subject to the covenants, conditions and restrictions contained in this Declaration and any Additional Declaration.

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

THE DOWNTOWN GROUP, LLC

By: [Signature]
Timothy P. Crawford Manager

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

I, Karen M. Bennett, a Notary Public certify that Timothy P Crawford personally came before me this day and acknowledged that he is manager of The Downtown Group, LLC. a North Carolina limited liability company and that he, as Manager, being authorized to do so, executed the foregoing instrument on behalf of The Downtown Group, LLC.

Witness my hand and seal, this 2nd day of December, 2003.

[Signature]
Notary Public
My Commission Expires: 5/1/2008

Exhibit A-1

This map is not a certified survey and has not been reviewed by a local government agency for compliance with any applicable land development regulations.

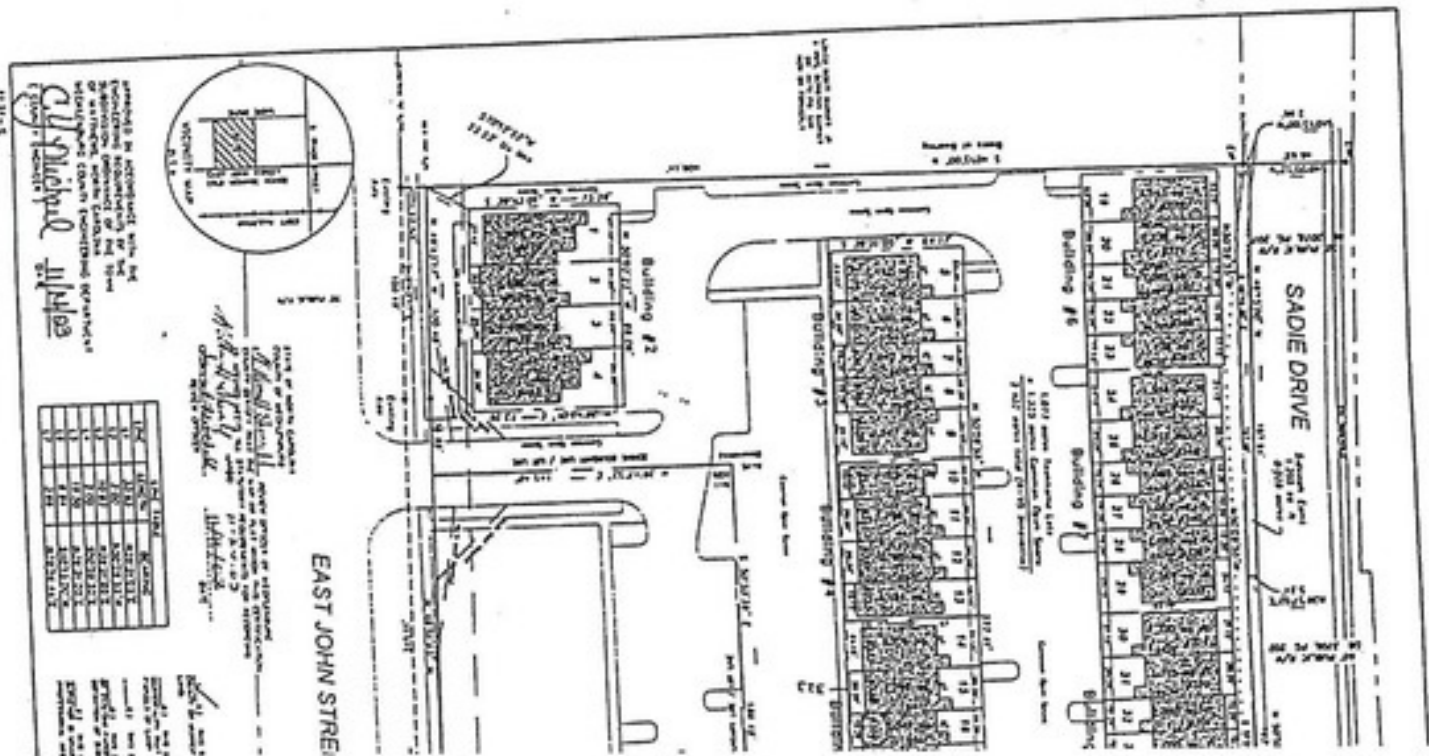


EXHIBIT A

BEGINNING at an existing iron rod in the southerly right of way of East John Street in the Town of Matthews, said existing iron rod being the northeasterly most corner of Lot 15 of the E.T. McLelland Estate as shown on the map thereof recorded in Map Book 4 at Page 17; thence from said beginning point with the easterly boundary of Lot 15 S. 40-15-00 W. 409.14 ft. to an existing iron pin; thence S. 40-15-00 W. 2.96 ft. to a point ; thence N. 49-15-00 W. 197.94 ft. to a point; thence N. 39-57-02 E. 5.24 ft. to a point; thence N. 50-55-58 W. 245.28 ft. to a point; thence N. 39-54-44 E., passing an existing iron rod at 8.88 ft., 409.58 ft. to an existing iron rod in the southerly right of way of East John Street; thence with the southerly right of way of East John Street S. 49-51-43 E. 345.11 ft. to an existing axle; thence continuing with the southerly right of way of East John Street S. 49-43-17 E. 100.49 ft. to an existing axle, the point and place of Beginning, containing 4.173 acres more or less, as shown on that certain survey by Russell L. Whitehurst, PLS, dated May 16, 2003 and being a portion of Lots 15, 16, and 17 of the E. T. McLelland Estate as shown on the map thereof recorded in Map Book 4 at Page 17.