

9/28/95
60

MAIL TO: RON MACK
KOURY CORPORATION
400 FOUR SEASONS TOWN CENTRE
GREENSBORO, N.C. 27407

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GRANDOVER

000109

North Carolina - Guilford County
The certificate (s) of _____

892450

RECORDED
KATHERINE LEE PAYNE
REGISTER OF DEEDS
GUILFORD COUNTY, NC

Katherine Lee Payne

A Notary (Notaries) Public is (are) certified to be correct. This instrument and this certificate are duly registered at the date and time shown herein.

BOOK: 4345
PAGE(S): 0109 TO 0169

09/26/1995
1 MISC DOCUMENTS \$6.00
60 MISC DOC ADDN PGS \$120.00
1 PROBATE FEE \$2.00

892450

09/26/1995 14:41:10

KATHERINE LEE PAYNE, REGISTER OF DEEDS

Assistant/Deputy Register of Deeds

TABLE OF CONTENTS

ARTICLE SECTION

I. DEFINITIONS

1.1	Area of Common Responsibility
1.2	Articles of Incorporation; Articles
1.3	Association
1.4	Base Assessment
1.5	Board of Directors; Board
1.6	Builder
1.7	Business and Trade
1.8	By-Laws
1.9	Class "B" Control Period
1.10	Common Area
1.11	Common Expenses
1.12	Community-Wide Standard
1.13	Covenant to Share Costs
1.14	Declarant
1.15	Design Guidelines
1.16	Exclusive Common Area
1.17	Golf Course(s)
1.18	Governing Documents
1.19	Grandover
1.20	Master Plan
1.21	Member
1.22	Mortgage
1.23	Mortgagee
1.24	Mortgagor
1.25	Owner
1.26	Person
1.27	Private Amenities
1.28	Properties
1.29	Special Assessment
1.30	Specific Assessment
1.31	Supplemental Declaration(s)
1.32	Unit
1.33	Village
1.34	Village Assessments
1.35	Village Association
1.36	Village Expenses
1.37	Voting Group
1.38	Voting Member

000110

ARTICLE SECTION

II. PROPERTY RIGHTS

- 2.1 Common Area
- 2.2 Exclusive Common Area
- 2.3 Special Recreational Parcels
- 2.4 Private Amenities

III. ASSOCIATION FUNCTION, MEMBERSHIP AND VOTING RIGHTS

- 3.1 Function of Association
- 3.2 Membership
- 3.3 Voting
- 3.4 Villages, Voting Members and Voting Groups

IV. RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

- 4.1 Common Area
- 4.2 Personal Property and Real Property for Common Use
- 4.3 Rules
- 4.4 Enforcement
- 4.5 Implied Rights; Board Authority
- 4.6 Governmental Interests
- 4.7 Indemnification
- 4.8 Dedication of Common Areas
- 4.9 Security
- 4.10 Powers of the Association Relating to Villages
- 4.11 Rights to Storm Water Runoff and Water Conservation and Reclamation Programs

V. MAINTENANCE

- 5.1 Association's Responsibility
- 5.2 Owner's Responsibility
- 5.3 Village's Responsibility
- 5.4 Standard of Performance
- 5.5 Party Walls and Similar Structures

VI. INSURANCE AND CASUALTY LOSSES

- 6.1 Association Insurance
- 6.2 Owner's Insurance
- 6.3 Damage and Destruction
- 6.4 Disbursement of Proceeds
- 6.5 Repair and Reconstruction

000111

ARTICLE SECTION

VII. NO PARTITION

VIII. CONDEMNATION

IX. ANNEXATION AND WITHDRAWAL OF PROPERTY

- 9.1 Annexation without Approval of Membership
- 9.2 Annexation with Approval of Membership
- 9.3 Withdrawal of Property
- 9.4 Additional Covenants and Easements
- 9.5 Amendment

X. ASSESSMENTS

- 10.1 Creation of Assessments
- 10.2 Declarant's Obligation for Assessments
- 10.3 Computation of Base Assessment
- 10.4 Computation of Village Assessments
- 10.5 Reserve Budget and Capital Contribution
- 10.6 Special Assessments
- 10.7 Specific Assessments
- 10.8 Date of Commencement of Assessments
- 10.9 Lien for Assessments
- 10.10 Failure to Assess
- 10.11 Capitalization of Association
- 10.12 Exempt Property
- 10.13 Effect of Default in Payment of Ad Valorem Taxes or Assessments for Public Improvements by Association

XI. ARCHITECTURAL STANDARDS

- 11.1 General
- 11.2 Architectural and Aesthetic Review
- 11.3 Guidelines and Procedures
- 11.4 Submission of Plans and Specifications
- 11.5 No Waiver of Future Approvals
- 11.6 Variance
- 11.7 Limitation of Liability
- 11.8 Enforcement

UUU112

ARTICLE SECTION

XII. USE GUIDELINES AND RESTRICTIONS

- 12.1 Plan of Development; Applicability; Effect
- 12.2 Board Power
- 12.3 Members' Power
- 12.4 Owners' Acknowledgement
- 12.5 Rights of Owners
- 12.6 Initial Use Guidelines and Restrictions

XIII. EASEMENTS

- 13.1 Easements of Encroachment
- 13.2 Easements for Utilities, Etc.
- 13.3 Easements for Collection of Storm Water Runoff and Flood Water
- 13.4 Easements to Serve Additional Property
- 13.5 Easements for Golf Course(s)
- 13.6 Easements for Cross-Drainage
- 13.7 Right of Entry
- 13.8 Easements to Owners, Residents and Users of Grandover

XIV. MORTGAGEE PROVISIONS

- 14.1 Notices of Action
- 14.2 Special FHLMC Provision
- 14.3 Other Provisions for First Lien Holders
- 14.4 Amendments to Documents
- 14.5 No Priority
- 14.6 Notice to Association
- 14.7 Amendment by Board
- 14.8 Applicability of Article XIV
- 14.9 Failure of Mortgagee to Respond

000113

ARTICLE SECTION

XV. DECLARANT'S RIGHTS

XVI. GOLF COURSE(S)

- 16.1 Ownership and Operation of Golf Course(s)
- 16.2 Right to Use
- 16.3 View Impairment
- 16.4 Assumption of Golf Course Risks
- 16.5 No Access to Golf Course(s)
- 16.6 Golf Course(s) Maintenance Easement
- 16.7 Golf Cart Paths
- 16.8 Rights of Access and Parking
- 16.9 Architectural Control
- 16.10 Limitations on Amendments
- 16.11 Jurisdiction and Cooperation

XVII. DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

- 17.1 Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes
- 17.2 Exempt Claims
- 17.3 Mandatory Procedures for All Other Claims
- 17.4 Allocation of Costs of Resolving Claims
- 17.5 Enforcement of Resolution

XVIII. GENERAL PROVISIONS

- 18.1 Term
- 18.2 Amendment
- 18.3 Severability
- 18.4 Perpetuities
- 18.5 Litigation
- 18.6 Cumulative Effect; Conflict
- 18.7 Use of the Word "Grandover"
- 18.8 Compliance
- 18.9 Notice of Sale or Transfer of Title

000114

TABLE OF EXHIBITS

<u>EXHIBIT</u>	<u>SUBJECT MATTER</u>
"A"	Land Initially Submitted and Village Designation
"B"	Land Subject to Annexation
"C"	Rules of Arbitration

000115

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GRANDOVER

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS ("Declaration") is made this 22nd day of September, 1995, by Koury Ventures Limited Partnership, a North Carolina limited partnership ("Declarant").

Declarant is the owner of the real property described in Exhibit "A," which is attached and incorporated by reference. This Declaration imposes upon the Properties (as defined in Article I) mutually beneficial restrictions under a general plan of improvement for the benefit of the owners of each portion of the Properties, and establishes a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Properties.

Declarant hereby declares that all of the property described in Exhibit "A" and any additional property subjected to this Declaration by Supplemental Declaration (as defined in Article I) shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of and which shall run with the real property subjected to this Declaration. This Declaration shall be binding on and shall inure to the benefit of all parties having any right, title, or interest in the Properties or any part thereof, their heirs, successors, successors-in-title, and assigns.

Article I
DEFINITIONS

The terms used in this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1. "Area of Common Responsibility": the Common Area, together with those areas (including Special Recreational Parcels), if any, which by the terms of this Declaration, any Supplemental Declaration or other applicable covenants, or by contract become the responsibility of the Association.

1.2. "Articles of Incorporation" or "Articles": the Articles of Incorporation of Grandover Community Association, Inc., as filed with the North Carolina Secretary of State.

1.3. "Association": Grandover Community Association, Inc., a North Carolina nonprofit corporation, its successor and assigns.

1.4. "Base Assessment": assessments levied on all Units subject to assessment under Section 10.8 to fund Common Expenses for the general benefit of all Units, as more particularly described in Sections 10.1 and 10.3.

1.5. "Board of Directors" or "Board": the body responsible for administration of the Association, selected as provided in the By-Laws and generally serving the same role as the board of directors under North Carolina corporate law.

C
C
I
I
O

1.6. "Builder": any Person which purchases one or more Units for the purpose of constructing improvements for later sale to consumers or parcels of land within the Properties for further subdivision, development, and/or resale in the ordinary course of such Person's business.

1.7. "Business" and "Trade": shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full or part-time, (b) such activity is intended to or does generate a profit, or (c) a license is required.

1.8. "By-Laws": the By-Laws of Grandover Community Association, Inc., as they may be amended.

1.9. "Class "B" Control Period": the period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board of Directors as provided in Section 3.3 of the By-Laws.

1.10. "Common Area": all real and personal property which the Association owns, leases or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners and any other person approved by the Board. The term shall include the Exclusive Common Area, as defined below.

1.11. "Common Expenses": the actual and estimated expenses incurred or anticipated to be incurred by the Association for the general benefit of all Units, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to this Declaration, the By-Laws, and the Articles of Incorporation. Common Expenses may include the cost, plus a reasonable administrative fee to the Association, of monitoring and maintaining security, communications, entertainment, home automation and/or other systems within the Units as provided by Vendors selected by the Board. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Voting Members representing a majority of the total Class "A" vote of the Association.

1.12. "Community-Wide Standard": the standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standard may be more specifically determined by the Board of Directors and the Architectural and Aesthetic Control Committee.

1.13. "Covenant to Share Costs": Any agreement or contract between the Association and an owner or operator of property adjacent to the Properties for the allocation of expenses that benefit both the Association and the owner or operator of such property.

1.14. "Declarant": Koury Ventures Limited Partnership, a North Carolina limited partnership, or any successor, successor-in-title, or assign who takes title to any portion of the property described on Exhibits "A" or "B" for the purpose of development and/or resale in the ordinary course of business and who is designated as the Declarant in a recorded instrument executed by the immediately preceding Declarant.

1.15. "Design Guidelines": the architectural, aesthetic and landscape design guidelines and procedures adopted by the Architectural and Aesthetic Control Committee pursuant to Article XI and applicable to all Units within the Properties.

1.16. "Exclusive Common Area": a portion of the Common Area intended for the exclusive use or primary benefit of one or more, but less than all, Villages, as more particularly described in Article II.

1.17. "Golf Course(s)": any parcel of land adjacent to or within the Properties which is privately owned by Koury Ventures Limited Partnership, a North Carolina limited partnership, its successors, successors-in-title, or assigns, and which is operated as a golf course(s), and all related and supporting facilities and improvements operated in connection with such golf course(s).

1.18. "Governing Documents": the Declaration, any Supplemental Declaration(s), By-Laws, Articles of Incorporation, Design Guidelines, Use Guideline Restrictions and Rules, as the same may be amended from time to time.

1.19. "Grandover": the Properties, as defined in Section 1.28, plus other property shown on Exhibit B, or contiguous to that shown on Exhibit B, which may be developed in the future under the name, "Grandover", whether or not subjected to this Declaration.

1.20. "Master Plan": the land use plan for the development of Grandover Resort and Conference Center prepared by Land Design, Inc. as it may be amended, which plan includes the property described on Exhibit "A" and all or a portion of the property described on Exhibit "B" which Declarant may from time to time anticipate subjecting to this Declaration. Inclusion of property on the Master Plan shall not under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the exclusion of property described on Exhibit "B" from the Master Plan bar its later annexation in accordance with Article IX.

1.21. "Member": a Person entitled to membership in the Association, as provided in Section 3.2.

1.22. "Mortgage": a mortgage, a deed of trust, a deed to secure debt, or any other form of security deed.

1.23. "Mortgagee": a beneficiary or holder of a Mortgage.

1.24. "Mortgagor": any Person who gives a Mortgage.

1.25. "Owner": one or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation.

1.26. "Person": a natural person, a corporation, a partnership, a trustee, or any other legal entity.

1.27. "Private Amenities": certain real property and any improvements and

000118

facilities thereon located adjacent to, in the vicinity of, or within the Properties, which are privately owned and operated by Persons other than the Association for recreational and related purposes, on a club membership basis, use fee basis, or otherwise, and shall include, without limitation, the Golf Course(s), if any.

1.28. "Properties": the real property described in Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article IX.

1.29. "Special Assessment": assessments levied in accordance with Section 10.6 of this Declaration.

1.30. "Specific Assessment": assessments levied in accordance with Section 10.7 of this Declaration.

1.31. "Supplemental Declaration(s)": amendment(s) or supplement(s) to this Declaration filed pursuant to Article IX which subjects additional property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein. The term shall also refer to an instrument filed by the Declarant pursuant to Section 3.4(c), which designates Voting Groups.

1.32. "Unit": a portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The term shall include by way of illustration but not limitation, condominium units, townhouse units, cluster homes, patio or zero lot line homes, and single-family detached houses on separately platted lots, as well as vacant land intended for development as such, but shall not include Common Areas, common property of any Village Association, or property dedicated to the public. In the case of a building within a condominium or other structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit.

In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to contain a single Unit until such time as a subdivision plat or condominium plat is filed of record on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall constitute a separate Unit or Units as determined above and the number of Units on the remaining land, if any, shall continue to be determined in accordance with this paragraph.

1.33. "Village": two or more Units which share interests other than those common to all Units, as more particularly described in Section 3.4. By way of illustration and not limitation, a condominium, townhome development, cluster home development or single-family detached housing development might each be designated as separate Villages, or a Village may be comprised of more than one housing type with other features in common. In addition, each parcel of land intended for development as any of the above shall constitute a Village, subject to division into more than one Village upon development.

Where the context permits or requires, the term "Village" shall also refer to the Village Committee, if any, established in accordance with the By-Laws, or the Village Association, where required by law. Village boundaries may be established and modified as provided in Section 3.4.

1.34. "Village Assessments": assessments levied against the Units in a particular Village or Villages to fund Village Expenses, as described in Sections 10.1 and 10.4.

1.35. "Village Association": any condominium association or other owners association required by law having concurrent jurisdiction over any Village.

1.36. "Village Expenses": the actual and estimated expenses incurred or anticipated to be incurred by the Association for the benefit of the Owners and occupants of Units within a particular Village or Villages, which may include a reasonable reserve for capital repairs and replacements, as the Board may specifically authorize and as may be authorized herein or in Supplemental Declaration(s) applicable to the Villages.

1.37. "Voting Group": one or more Villages whose Voting Members vote on a common slate for election of directors to the Board of Directors, as more particularly described in Section 3.4 or, if the context so indicates, the group of Owners whose Units comprise such Villages.

1.38. "Voting Member": the representative(s) selected by the Members within each Village as provided in Section 3.4(b) to be responsible for casting votes attributable to Units in the Village on matters requiring a vote of the membership (except as otherwise specifically provided in this Declaration and in the By-Laws). The term "Voting Member" shall include alternate Voting Members acting in the absence of the Voting Member and any Owners authorized to personally cast the votes for their respective Units pursuant to Section 3.4.

Article II PROPERTY RIGHTS

2.1. Common Area. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) This Declaration, the By-Laws and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The right of the Board to adopt rules regulating the use and enjoyment of the Common Area, including rules restricting use of recreational facilities within the Common Area to occupants of Units and their guests and rules limiting the number of guests who may use the Common Area;
- (d) The right of the Board to suspend the right of an Owner to use recreational facilities within the Common Area (i) for any period during which any charge against such Owner's Unit remains delinquent, and (ii) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation of the Governing Documents after notice and a hearing pursuant to the Section 3.23 of the By-Laws;
- (e) The right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area pursuant to Section 4.8;

(f) The right of the Board to impose reasonable membership requirements and charge reasonable membership admission or other fees for the use of any recreational facility situated within the Properties, other than upon the Common Areas;

(g) The right of the Board to permit use of the Common Area (i) by persons other than Owners, their families, lessees and guests upon payment of use fees or otherwise as approved by the Board (ii) by easement or otherwise in favor of any resident or owner within Grandover;

(h) The right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in Section 14.2; and

(i) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Exclusive Common Areas," as more particularly described in Section 2.2.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, subject to reasonable Board regulation. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit.

2.2. Exclusive Common Area. Certain portions of the Common Area may be designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners, occupants and invitees of Units within a particular Village or Villages. By way of illustration and not limitation, Exclusive Common Areas may include entry features, recreational facilities, landscaped medians and cul-de-sacs, private streets designed to be used only by Owners within certain Villages, their family members, lessees and social invitees, lakes and other portions of the Common Area within a particular Village or Villages. All costs associated with maintenance, repair, replacement, and insurance of Exclusive Common Areas shall be assessed as a Village Assessment against the Owners of Units in those Villages to which the Exclusive Common Area is assigned.

Initially, the Declarant shall designate any Exclusive Common Area as such and assign the exclusive use thereof in the deed conveying the Common Area to the Association or on the subdivision plat relating to such Common Area; provided, any such assignment shall not preclude the Declarant from later assigning use of the same Exclusive Common Area to additional Units and/or Villages, so long as the Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1. Thereafter, unless prohibited by local law (for example, if to do so would reduce the Common Area below that required by the Greensboro Development Ordinance), a portion of the Common Area may be assigned as Exclusive Common Area of a particular Village or Villages and Exclusive Common Area may be reassigned upon the vote of Voting Members representing a majority of the total Class "A" votes in the Association, including a majority of the Class "A" votes within the Village(s) to which the Exclusive Common Areas are assigned, if applicable. As long as the Declarant owns any property described on Exhibits "A" or "B" for development and/or sale, any such assignment or reassignment shall also require the Declarant's consent.

The Association may, upon approval of a majority of the members of the Village Committee or board of directors of the Village Association for the Village(s) to which certain

000121

Exclusive Common Areas are assigned, permit Owners of Units in other Villages to use all or a portion of such Exclusive Common Areas upon payment of reasonable user fees, which fees shall be used to offset the Village Expenses attributable to such Exclusive Common Areas.

2.3. Special Recreational Parcels. Certain recreational facilities, which may be located within the Properties including, without limitation, tennis courts, a swimming pool(s), community building(s), and parking facilities, may be designated as a Special Recreational Parcel in the preliminary and final subdivision plats and in the deed conveying them to the Association. The Board of Directors shall have the right to restrict use of all or any portion of such facilities to only such Persons as affirmatively elect to use the facilities and agree to pay such initiation fees and additional assessments as are charged for such privilege of use. Such Persons may, in the discretion of the Board, include Persons other than Owners and occupants of Units within the Properties; provided, such Persons shall be required to pay fees which are no less than those charged Owners and occupants of Units, and shall have no greater use rights than those extended to Owners and occupants of Units.

The fees and assessments established by the Board for use of these Special Recreational Parcel facilities shall include such sums as the Board of Directors in the exercise of its business judgment deems sufficient to cover the estimated costs to be incurred by the Association for the operation, maintenance, repair, replacement and insurance of this Special Recreational Parcel.

Notwithstanding the provisions of Section 14.2, the Board, acting on behalf of the Association, may lease any Special Recreational Parcel to a private club composed of such Owners who use the facility, or to a commercial operator, or to the Declarant, the city or county parks department, or any other appropriate body, on such terms and conditions as may be agreed to by the Board.

There is hereby reserved to all authorized users of any Special Recreational Parcel an easement over the Common Areas of the Association for direct ingress and egress to and from such Special Recreational Parcel, subject to Board regulation.

The Board shall have the right at any time, subject to the terms of any existing lease, to declare by majority vote that use of all or any portion of such facilities shall no longer be restricted as provided in this Section, and thereafter such facilities shall be made available for the use of all Owners and all costs associated with such Special Recreational Parcel shall be deemed Common Expenses.

2.4. Private Amenities. Access to and use of the Private Amenities, specifically including the Golf Course(s), is strictly subject to the rules and procedures of the respective Owners of the Private Amenities, and no Person gains any right to enter or to use those facilities by virtue of membership in the Association or any Village Association or ownership or occupancy of a Unit.

All Persons, including all Owners, are hereby advised that no representations or warranties, either written or oral, have been or are made by the Declarant or any other Person with regard to the nature or size of improvements to, or the continuing ownership or operation of the Private Amenities. No purported representation or warranty, written or oral, in conflict with this Section shall be effective without an amendment to this Declaration executed or

000122

joined into by the Declarant or the owner(s) of the Private Amenity(ies) which are the subject thereof.

The ownership or operational duties of, and as to, the Private Amenities may change at any time and from time to time by virtue of, but without limitation, (a) the sale to or assumption of operations by an independent entity, (b) conversion of the membership structure to an "equity" club or similar arrangement whereby the members of a Private Amenity or an entity owned or controlled thereby become the owner(s) and/or operator(s) of the Private Amenity, or (c) the conveyance of a Private Amenity to one or more affiliates, shareholders, employees, or independent contractors of the Declarant. No consent of the Association, any Village Association, or any Owner shall be required to effectuate such a transfer or conversion.

Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

Article III ASSOCIATION FUNCTION, MEMBERSHIP AND VOTING RIGHTS

3.1. Function of Association. The Association shall be the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the Properties as the board or the membership may adopt pursuant to Article XII. The Association shall also be responsible for administering and enforcing the architectural standards and controls and other Community-Wide Standards set forth in the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and North Carolina law.

3.2. Membership. Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 3.3 and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights and privileges of an Owner who is a natural person may be exercised by the Member or the Member's spouse. The membership rights of an Owner which is a corporation, partnership or other legal entity may be exercised by any officer, director, partner, or trustee, or by any other individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association. If required by the Greensboro Development Ordinance, membership may be granted to owners of any of the Properties at the time of annexation pursuant to Article IX, and additional classification(s) of membership may be created at such time.

3.3. Voting. The Association shall have two classes of membership Class "A" and Class "B".

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 3.2; there shall be only one vote per Unit.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to approve or withhold approval of actions proposed under this Declaration and the By-Laws, are specified elsewhere in the Declaration and the By-Laws. The Class "B" Member may appoint a majority of the members of the Board during the Class "B" Control Period, as specified in Section 3.3 of the By-Laws. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in Section 3.18 of the By-Laws.

The Class "B" membership shall terminate upon the earlier of:

(i) two years after termination of the class "B" Control Period pursuant to Section 3.3 of the By-Laws; or

(ii) when, in its discretion, the Declarant so determines and declares in a recorded instrument.

Upon termination of the Class "B" membership, the Declarant shall be a Class "A" Member entitled to Class "A" votes for each Unit which it owns.

(c) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the By-Laws, the vote for each Unit owned by a Class "A" Member shall be exercised by the Voting Member representing the Village of which the Unit is a part, as provided in Section 3.4(b). The Voting Member may cast all such votes as it, in its discretion, deems appropriate.

In any situation in which a Member is entitled personally to exercise the vote for his Unit and there is more than one Owner of a particular Unit, the vote for such Unit shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

3.4. Villages, Voting Members and Voting Groups.

(a) Villages. Every Unit shall be located within a Village. In the discretion of the Owner(s) within each Village, and subject to the approval of the Class "B" Member, if any, the Units within a particular Village may be subject to additional covenants and/or the Unit Owners may all be members of a Village Association, where required by law, in addition to being Members of the Association. However, a Village Association shall not be permitted except in the case of a condominium or as otherwise required by law. The Owners of Units within any Village which does not have a Village Association may elect a Village Committee, as described in Section 5.3 of the By-Laws, to represent the interests of such Owners.

Any Village may request that the Association provide a higher level of service or special services for the benefit of Units in such Village and, upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of Units within the Village, the Association shall provide the requested services. The cost of such services shall be assessed against the Units within such Village as a Village Assessment pursuant to Article X.

000124

Exhibit "A" to this Declaration, and each Supplemental Declaration filed to subject additional property to this Declaration, shall initially assign the property described therein to a specific Village by name, number or other designation, which Village may be then existing or newly created. The Declarant may unilaterally amend this Declaration or any Supplemental Declaration to redesignate Village boundaries.

(b) Voting Members. The Class "A" Members within each Village shall elect one Voting Member for each 50 Units within the Village (rounded up to the nearest 50). On all Association matters requiring a membership vote, each such Voting Member shall be entitled to cast that number of votes determined by dividing the total number of Class "A" votes attributable to Units in the Village by the number of Voting Members elected from such Village, except as otherwise specified in this Declaration or the By-Laws. The Class "A" Members within each Village shall also elect one or more alternate Voting Members to be responsible for casting such votes in the absence of a Voting Member.

The Voting Member(s) and alternate Voting Member(s) from each Village shall be elected on an annual basis, either by written ballot or at a meeting of the Class "A" Members within such Village, as the Board determines; provided upon written petition of Class "A" Members holding at least 10% of the votes attributable to Units within any Village, the election for such Village shall be held at a meeting. The presence, in person or by proxy, of Class "A" Members representing at least 30% of the total Class "A" votes attributable to Units in the Village shall constitute a quorum at any Village meeting.

The Board shall call for the first election of the Voting Member(s) and alternate Voting Member(s) from a Village not later than one year after the first conveyance of a Unit in the Village to a Person other than a Builder. Subsequent elections shall be held within 30 days of the same date each year. Each Class "A" Member shall be entitled to cast one equal vote for each Unit which it owns in the Village for each position. The candidate for each position who receives the greatest number of votes shall be elected to serve a term of one year and until a successor is elected. Any Owner of a Unit in the Village may submit nominations for election or declare himself a candidate in accordance with procedures which the Board shall establish.

Any Voting Member may be removed, with or without cause, upon the vote or written petition of Owners of a majority of the total number of Units owned by Class "A" Members in the Village which such Voting Member represents.

Until such time as the Board first calls for election of a Voting Member for a Village, the Owners within such Village may personally cast the votes attributable to their respective Units on any issue requiring a vote of the Voting Members under this Declaration, the By-Laws, or the Articles.

(c) Voting Groups. The Declarant may designate Voting Groups consisting of one or more Villages for the purpose of electing directors to the Board, in order to promote representation on the Board of Directors for various groups having dissimilar interests and to avoid a situation in which the Voting Members representing similar Villages are able, due to the number of Units in such Villages, to elect the entire Board of Directors, excluding representation of others. Following termination of the Class "B" Control Period, the number of Voting Groups within the Properties shall not exceed the total number of directors to be

elected by the Class "A" Members pursuant to the By-Laws. The Voting Members representing the Villages within each Voting Group shall vote on a separate slate of candidates for election to the Board, with each Voting Group being entitled to elect the number of directors specified in Section 3.5 of the By-Laws.

The Declarant shall establish Voting Groups, if at all, not later than the date of expiration of the Class "B" Control Period by filing with the Association and in the land records of Guilford County, North Carolina, a Supplemental Declaration identifying the Units within each Voting Group. Such designation may be amended from time to time by the Declarant, acting alone, at any time prior to the expiration of the Class "B" Control Period.

After expiration of the Declarant's right to annex property pursuant to Article IX hereof, the Board shall have the right to file or amend such Supplemental Declaration upon the vote of a majority of the total number of directors. Neither recordation nor amendment of such Supplemental Declaration shall constitute an amendment to this Declaration, and no consent or approval of any Person shall be required except as stated in this paragraph. Until such time as Voting Groups are established, all of the Properties shall constitute a single Voting Group. After a Supplemental Declaration establishing Voting Groups has been filed, any and all portions of the Properties which are not assigned to a specific Voting Group shall constitute a single Voting Group.

Article IV RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

4.1. Common Area. The Association, subject to the rights of the Owners set forth in this Declaration, shall manage and control the Common Area and all improvements thereon (including, without limitation, furnishings, equipment, common landscaped areas and permanent water quality ponds), and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, consistent with this Declaration and the Community-Wide Standard, and shall be responsible for payment of local ad valorem taxes thereon.

4.2. Personal Property and Real Property for Common Use. The Association may acquire, hold, and dispose of tangible and intangible personal property and real property. Declarant or any other party with the consent of Declarant may convey to the Association improved or unimproved real estate located within the properties described in Exhibits "A" or "B," personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained as Common Area or as Special Recreational Parcels by the Association at its expense for the benefit of its Members, or the users thereof in the case of Special Recreational Parcels, subject to any restrictions set forth in the deed. In this and any Supplemental Declaration, the Declarant shall convey the initial Common Area to the Association prior to the conveyance of a Unit to any Person. Upon written request of Declarant, the Association shall reconvey to Declarant any unimproved portions of the Properties originally conveyed by Declarant to the Association for no consideration, (i) if originally conveyed by the Declarant in error, (ii) if needed by Declarant to make minor adjustments in property lines or street rights-of-way or (iii) if needed by Declarant for other reasons provided that the reconveyance does not materially adversely affect the rights of any Owner.

4.3. Rules. The Association, through its Board, may make and enforce reasonable rules governing the use of the Properties, in addition to, further defining or limiting, and, where specifically authorized hereunder, creating exceptions to those covenants and restrictions set forth in this Declaration. Such rules shall be binding upon all Owners, occupants, invitees, and licensees until and unless repealed or modified in a regular or special meeting by the vote of Voting Members representing two-thirds (2/3) of the total Class "A" votes in the Association and by the Class "B" Member, so long as such membership exists.

4.4. Enforcement. The Association may impose sanctions for violations of this Declaration or any of the other Governing Documents in accordance with procedures set forth in the By-Laws, including reasonable monetary fines and suspension of the right to vote and to use any recreational facilities within the Common Area. In addition, in accordance with Section 3.23 of the By-Laws, the Association may exercise self-help to cure violations, and may suspend any services it provides to the Unit of any Owner who is more than 30 days delinquent in paying any assessment or other charge due to the Association. The Board may seek relief in any court for violations or to abate nuisances.

The Association may permit the City of Greensboro and Guilford County to enforce applicable ordinances on the Properties for the benefit of the Association and its Members.

4.5. Implied Rights: Board Authority. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, the other Governing Documents, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.6. Governmental Interests. So long as the Declarant owns any property described on Exhibits "A" or "B," the Declarant may designate sites within the Properties for fire, police, utility facilities, public schools and parks, and other public facilities. The sites may include Common Areas.

4.7. Indemnification. The Association shall indemnify every officer, director, and committee member against all expense, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association). The Association shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association may, as a Common Expense,

maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

4.8. Dedication of Common Areas. The Association may dedicate portions of the Common Areas to Guilford County, the City of Greensboro, or to any state or federal governmental entity, subject to such approval as may be required by Section 14.2 of this Declaration.

4.9. Security. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. NEITHER THE ASSOCIATION, THE DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTIES, NOR SHALL ANY OF THEM BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR OF INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. NO REPRESENTATION OR WARRANTY IS MADE THAT ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM OR OTHER SECURITY SYSTEM CANNOT BE COMPROMISED OR CIRCUMVENTED, NOR THAT ANY SUCH SYSTEMS OR SECURITY MEASURES UNDERTAKEN WILL IN ALL CASES PREVENT LOSS OR PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER ACKNOWLEDGES, UNDERSTANDS AND COVENANTS TO INFORM ITS OCCUPANTS AND TENANTS THAT THE ASSOCIATION, ITS BOARD OF DIRECTORS AND COMMITTEES, DECLARANT, AND ANY SUCCESSOR DECLARANT ARE NOT INSURERS AND THAT EACH PERSON USING THE PROPERTIES ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO UNITS AND TO THE CONTENTS OF UNITS RESULTING FROM ACTS OF THIRD PARTIES.

4.10. Powers of the Association Relating to Villages. The Association shall have the power to veto any action taken or contemplated to be taken by any Village Association or Village Committee which the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the Governing Documents or Community-Wide Standard. The Association also shall have the power to require specific action to be taken by any Village Association or Village Committee in connection with any of its obligations and responsibilities. Without limiting the generality of the foregoing, the Association may (a) require specific maintenance or repairs or aesthetic changes to be effectuated by the Village Association or Village Committee, and (b) require that a proposed budget include certain items and that specific expenditures be made.

Any action required by the Association in a written notice pursuant to the foregoing paragraph to be taken by a Village Association or Village Committee shall be taken within the reasonable time frame set by the Association in such written notice. If the Village Association or Village Committee fails to comply with the requirements set forth in such written notice, the Association shall have the right to effect such action on behalf of the Village Association or Village Committee.

To cover the Association's administrative expenses in connection with the foregoing and to discourage failure to comply with the requirements of the Association, the Association shall assess the Units in such Village for their pro rata share of any expenses

incurred by the Association in taking such action in the manner provided in Section 10.7. Such assessments may be collected as a Specific Assessment hereunder and shall be subject to all lien rights provided for herein.

4.11. Rights to Storm Water Runoff and Water Conservation and Reclamation Programs. The Declarant hereby reserves for itself and its designees all rights to ground water, surface water, and storm water runoff within the Properties and each Owner agrees, by acceptance of a deed to a Unit, that the Declarant shall retain all such rights. No Person other than the Declarant and its designees shall claim, capture or collect rainwater, ground water, surface water or storm water runoff within the Properties without prior written permission of the Declarant or its designee. The Declarant or its designee may establish programs for reclamation of storm water runoff and wastewater for appropriate uses within or outside the Properties and may require Owners and occupants of Units to participate in such programs to the extent reasonably practical. No Owner or occupant of a Unit shall have any right to be compensated for water claimed or reclaimed from Units. The Board shall also have the right to establish restrictions on or prohibit outside use of potable water within the Properties.

Article V MAINTENANCE

5.1. Association's Responsibility. The Association shall maintain and keep in good repair the Area of Common Responsibility, which shall include, but need not be limited to:

(a) all landscaping, parks, signage, structures, permanent water quality ponds (which will be maintained in accordance with Article 7 of the Greensboro Development Ordinance) and improvements, including any private streets, bike and pedestrian pathways/trails, situated upon the Common Area or any Special Recreational Parcel;

(b) improvements, landscaping, sidewalks, street lights and signage within public rights-of-way within or abutting the Properties, and landscaping within any public utility easements within the Properties (subject to the terms of any easement agreement relating thereto);

(c) such portions of any additional property included within any Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, the Covenant to Share Costs or any contract or agreement for maintenance thereof entered into by the Association; and

(d) any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members, such property and facilities to be identified by written notice from the Declarant to the Association and to remain a part of the Area of Common Responsibility and be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

There are hereby reserved to the Association easements over the Properties as necessary to enable the Association to fulfill such responsibilities. The Association shall

maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for reasonable periods as necessary to perform required maintenance or repairs, unless Voting Members representing 75% of the Class "A" votes and the Class "B" Member agree in writing to discontinue such operation.

The Association may assume maintenance responsibility for property within any Village, in addition to that designated by any Supplemental Declaration, either by agreement with the Village or because, in the opinion of the Board, the level and quality of service then being provided is not consistent with the Community-Wide Standard. All costs of maintenance pursuant to this paragraph shall be assessed as a Village Assessment only against the Units within the Village to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

The Association may maintain other property which it does not own, including, without limitation, publicly owned property and other property dedicated to public use, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units in the manner of and as a part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, the Covenant to Share Costs, other recorded covenants, or agreements with the owner(s) thereof. All costs associated with maintenance, repair and replacement of Exclusive Common Areas shall be a Village Expense assessed as a Village Assessment solely against the Units within the Village(s) to which the Exclusive Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

5.2. Owner's Responsibility. Each Owner shall maintain his or her Unit and all structures, parking areas, landscaping and other improvements comprising the Unit as well as functional or decorative ornamentation and all personal property situated on the Unit outside any dwelling as has been approved by the AACC in a manner consistent with the Community-Wide Standard, the Governing Documents, and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association or a Village pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Unit. In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner in accordance with Section 10.7. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

As required by the Greensboro Development Ordinance, if the Association should be dissolved or cease to exist, then all Owners shall be jointly and severally liable for the costs associated with maintaining the permanent water quality ponds located upon the Common Area.

5.3. Village's Responsibility. Upon Board resolution, the Owners of Units within each Village shall be responsible for paying, through Village Assessments, the costs of operating, maintaining and insuring certain portions of the Area of Common Responsibility within or adjacent to such Village. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way and open space between the Village and adjacent public roads and private streets within the Village, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, however, all Villages which are similarly situated shall be treated the same.

Any Village Association whose common property:

(a) is adjacent to any portion of the Common Area upon which a wall is constructed, other than a wall which forms part of a building, shall maintain that portion of the Common Area between the wall and the Village Association's property line;

(b) fronts on any roadway within the Properties shall maintain the landscaping on that portion of the Common Area or right-of-way between the property line and the nearest curb of such roadway; provided, there shall be no right to remove trees, shrubs or similar vegetation from this area without prior approval pursuant to Article XI hereof.

Any Village Association having any responsibility for maintenance of property within such Village shall perform such maintenance responsibility in a manner consistent with the Community-Wide Standard and the Governing Documents. If it fails to do so, the Association may perform such responsibilities and assess the costs against all Units within such Village as provided in Section 10.7.

5.4. Standard of Performance. Maintenance, as used in this Article, shall include, without limitation, repair and replacement as needed, as well as such other duties, which may include irrigation, as the Board may determine necessary or appropriate to satisfy the Community-Wide Standard. All maintenance shall be performed in a manner consistent with the Community-Wide Standard, all applicable covenants and the Governing Documents.

Notwithstanding anything to the contrary contained herein, the Association, and/or an Owner and/or a Village Association shall not be liable for property damage or personal injury occurring on, or arising out of the condition of property which it does not own unless and only to the extent that it has been negligent in the performance of its maintenance responsibilities.

5.5. Party Walls and Similar Structures.

(a) General Rules of Law to Apply. Each wall, fence, driveway or similar structure built as a part of the original construction on the Units which serves and/or separates any two adjoining Units shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) Sharing of Repair and Maintenance. All Owners who make use of the party structure shall share the cost of reasonable repair and maintenance of such structure equally. However, any Owner who causes a party wall to be exposed to the elements shall be

000131

responsible for making repairs to eliminate such exposure to the elements and to repair any damage resulting from such exposure.

(c) Damage and Destruction. If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the structure may restore it in accordance with the Design Guidelines and the Governing Documents. If other Owners subsequently use the structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Right of Contribution Runs With Land. The right of an Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

(e) Disputes. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Article XVII.

Article VI INSURANCE AND CASUALTY LOSSES

6.1. Association Insurance. The Association, acting through its Board or its duly authorized agent, shall obtain blanket "all-risk" property insurance, if reasonably available, for all insurable improvements on the Common Area and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a loss. The Association shall have the authority to and interest in insuring any privately or publicly owned property for which the Association has maintenance or repair responsibility. Such property shall include, by way of illustration and not limitation, any insurable improvements on or related to parks, right-of-way, medians, easements, and walkways which the Association is obligated to maintain. If blanket "all-risk" coverage is not generally available at reasonable cost, then the Association shall obtain fire and extended coverage, including coverage for vandalism and malicious mischief. The face amount of the policy shall be sufficient to cover the full replacement cost of the insured property. The cost of such insurance shall be a Common Expense to be allocated among all Units subject to assessment as part of the annual Base Assessment.

In addition, the Association may, upon request of a Village, and shall, if so specified in a Supplemental Declaration applicable to the Village, obtain and continue in effect adequate blanket "all-risk" property insurance on all insurable improvements within such Village, if reasonably available. If "all-risk" property insurance is not generally available at reasonable cost, then fire and extended coverage may be substituted. Such coverage may be in such form as the Board of Directors deems appropriate. The face amount of the policy shall be sufficient to cover the full replacement cost of all structures to be insured. The costs shall be charged to the Owners of Units within the benefitted Village as a Village Assessment. All policies shall provide for a certificate of insurance to be furnished, upon request, to the Association, and to the Village Association, if any.

The Association shall have no insurance responsibility for any part of any Private amenity property.

The Association also shall obtain a public liability policy on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the public liability policy shall have at least a \$1,000,000.00 combined single limit as respects bodily injury and property damage and at least a \$2,000,000.00 limit in the aggregate.

Except as otherwise provided above with respect to property within a Village, premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the Base Assessment. However, premiums for insurance on Exclusive Common Areas may be included in the Village Assessment of the Village(s) benefitted unless the Board reasonably determines that other treatment of the premiums is more appropriate.

The policies may contain a reasonable deductible which shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the required coverage. In the event of an insured loss, the deductible shall be treated as a Common Expense or a Village Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with Section 3.23 of the By-Laws, that the loss is the result of the negligence or willful conduct of one or more Owners or occupants, then the Board may specifically assess the full amount of such deductible against the Unit of such Owner or occupant, pursuant to Section 10.7.

All insurance coverage obtained by the Association shall:

(a) be written with a company authorized to do business in North Carolina which holds a Best's rating of A or better and is assigned a financial size category of IX or larger as established by Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating which is available;

(b) be written in the name of the Association as trustee for the benefitted parties and shall name Declarant as an additional insured. Policies on the Common Area shall be for the benefit of the Association and its Members. Policies secured on behalf of a Village shall be for the benefit of the Village Association, if any, the Owners of Units within the Village, and their Mortgagees, as their interests may appear;

(c) vest in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss;

(d) not be brought into contribution with insurance purchased by individual Owners, occupants, or their Mortgagees; and

(e) have an inflation guard endorsement, if reasonably available. If the policy contains a co-insurance clause, it shall also have an agreed amount endorsement. The Association shall review the sufficiency of insurance coverage annually.

The Board shall use reasonable efforts to secure insurance policies containing endorsements that:

(a) waive subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(b) preclude cancellation, invalidation, suspension, or nonrenewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;

(c) exclude individual Owners' policies from consideration under any "other insurance" clause; and

(d) require at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or nonrenewal.

The Association shall also obtain, as a Common Expense, worker's compensation insurance and employer's liability insurance, if and to the extent required by law, directors' and officers' liability coverage, if reasonably available, and flood insurance, if advisable.

The Association also shall obtain, as a Common Expense, a fidelity bond or bonds, if generally available at reasonable cost, covering all persons responsible for handling Association funds. The Board shall determine the amount of fidelity coverage in its best business judgement but, if reasonably available, shall consider coverage equal to not less than one-sixth of the annual Base Assessments on all Units plus reserves on hand. Bonds shall contain a waiver of all defense based upon the exclusion of persons serving without compensation and shall require at least 30 days' prior written notice to the Association of any cancellation, substantial modification or nonrenewal.

6.2. Owner's Insurance. By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry blanket "all-risk" property insurance on its Unit(s) and structures thereon providing full replacement cost coverage less a reasonable deductible, unless either the Village in which the Unit is located or the Association carries such insurance (which they are not obligated to do hereunder).

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Unit, he shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article XI of this Declaration.

Additional recorded covenants applicable to any Village may establish more stringent requirements regarding the standards for rebuilding or reconstructing structures on the Units within such Village and the standards for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

6.3. Damage and Destruction.

(a) Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the condition in which it existed

prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

(b) Any damage to or destruction of the Common Area shall be repaired or reconstructed unless the Voting Members representing at least 75% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct.

Any damage to or destruction of the common property of any Village Association shall be repaired or reconstructed unless the Unit Owners representing at least 75% of the total vote of the Village Association and the Class "B" Member, if any, decide within 60 days after the damage or destruction not to repair or reconstruct.

If either the insurance proceeds or reliable and detailed estimates of the cost or repair or reconstruction, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area or common property of a Village Association shall be repaired or reconstructed.

(c) If determined in the manner described above that the damage or destruction to the Common Area or to the common property of any Village Association shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and maintained by the Association or the Village Association, as applicable, in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

6.4. Disbursement of Proceeds. Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Association or the Village Association, as appropriate, and placed in a capital improvements account.

6.5. Repair and Reconstruction. If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Directors may, without a vote of the Voting Members, levy Special Assessments against those Unit Owners responsible for the premiums for the applicable insurance coverage under Section 6.1.

Article VII NO PARTITION

Except as permitted in this Declaration, there shall be no judicial partition of the Common Area. No Person shall seek any judicial partition unless the Properties or such portion thereof have been removed from the provisions of this Declaration. This Article shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

Article VIII
CONDEMNATION

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Voting Members representing at least 67% of the total Class "A" votes in the Association and of the Declarant, as long as the Declarant owns any property described on Exhibits "A" or "B") by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking the Declarant, so long as the Declarant owns any property described in Exhibits "A" or "B" of this Declaration, and Voting Members representing at least 75% of the total Class "A" votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Sections 6.4 and 6.5 regarding funds for the repair of damage or destruction shall apply.

If the taking does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

Article IX
ANNEXATION AND WITHDRAWAL OF PROPERTY

9.1. Annexation without Approval of Membership. Until all property described on Exhibit "B" has been subjected to this Declaration or 30 years after the recording of this Declaration, whichever is earlier, Declarant may unilaterally subject to the provisions of this Declaration all or portions of the real property described in Exhibit "B". Declarant may transfer or assign this right to annex property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibits "A" or "B" and that such transfer is memorialized in a written, recorded instrument executed by Declarant. Nothing in this Declaration shall be construed to require the Declarant or any successor to annex or develop any of the property set forth in Exhibit "B" in any manner whatsoever.

Such annexation shall be accomplished by filing a Supplemental Declaration in the land records of Guilford County, North Carolina, describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Such Supplemental Declaration shall not require the consent of Voting Members, but shall require the consent of the owner of such property, if other than Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein. Any such annexation shall be in accordance with the requirements of the City of Greensboro Development Ordinance.

000136

9.2. Annexation with Approval of Membership. The Association may subject any real property to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of Voting Members representing a majority of the Class "A" votes of the Association represented at a meeting duly called for such purpose, and the consent of the Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1.

Such annexation shall be accomplished by filing a Supplemental Declaration in the land records of Guilford County, North Carolina, describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the annexed property. Any such annexation shall be effective upon filing unless otherwise provided therein.

9.3. Withdrawal of Property. The Declarant reserves the right to amend this Declaration so long as it has a right to annex additional property pursuant to this Article, without prior notice and without the consent of any Person, for the purpose of removing property then owned by the Declarant, its affiliates, or the Association from the coverage of this Declaration, to the extent originally included in error or as a result of any changes in the Declarant's plans for the Properties, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties.

9.4. Additional Covenants and Easements. The Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by Supplemental Declaration to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through Village Assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrent with or after the annexation of the subject property, and shall require the written consent of the owner(s) of such property, if other than the Declarant. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.5. Amendment. This Article shall not be amended without the prior written consent of Declarant so long as the Declarant owns any property described in Exhibits "A" or "B."

Article X ASSESSMENTS

10.1. Creation of Assessments. The Association is hereby authorized to levy assessments against each Unit for Association expenses as the Board may specifically authorize from time to time. There shall be four types of assessments for Association expenses: (a) Base Assessments to fund Common Expenses for the general benefit of all Units; (b) Village Assessments for Village Expenses benefitting only Units within a particular Village or Villages; (c) Special Assessments as described in Section 10.6; and (d) Specific Assessments as described in Section 10.7. Each Owner, by accepting a deed or entering into a recorded contract of sale

for any portion of the Properties is deemed to covenant and agree to pay these assessments and to pay to the appropriate governmental taxing authority (a) a pro rata share of ad valorem taxes levied against the Common Area and (b) a pro rata share of assessments for public improvements to or for the benefit of the Common Area, if the Association shall default in the payment of either or both for a period of six (6) months, all as hereinafter provided.

All assessments together with interest from the due date of such assessment at a rate determined by the Board (not to exceed the highest rate allowed by North Carolina law), late charges, costs, and reasonable attorney's fees, shall be a charge and continuing lien upon each Unit against which the assessment is made until paid, as more particularly provided in Section 10.9. Each such assessment, together with interest, late charges, costs, and reasonable attorney's fees, also shall be the personal obligation of the Person who was the Owner of such Unit at the time the assessment arose. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first Mortgagee who obtains title to a Unit by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

Assessments shall be paid in such manner and on such dates as the Board may establish. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessments and any Village Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may impose reasonable interest and late charges and may require any unpaid installments of all outstanding assessments to be paid in full immediately.

The Association shall, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an officer of the Association setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

No Owner may exempt himself from liability for assessments, by nonuse of Common Area, abandonment of his Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with the Declarant or other entities for payment of Common Expense.

10.2 Declarant's Obligation for Assessments. During the Class "B" Control Period, Declarant may annually elect either to pay regular assessments on its unsold Units, or to pay the difference between the amount of the assessments collected on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year. Unless the Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue

paying on the same basis as during the immediately preceding fiscal year. Regardless of such election, the Association shall have a lien against all Units owned by the Declarant to secure the Declarant's obligations under this paragraph, which lien shall have the same attributes and shall be enforceable in the same manner as the Association's lien against other Units under this Article. The Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these.

10.3 Computation of Base Assessment. At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year, including a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 10.5.

The Base Assessment shall be levied equally against all Units and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Units subject to assessment under Section 10.8 on the first day of the fiscal year for which the budget is prepared and the number of Units reasonably anticipated to become subject to assessment during the fiscal year.

So long as the Declarant has the right unilaterally to annex additional property pursuant to Article IX, the Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 10.2 above), which may be either a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such subsidy and the nature thereof shall be conspicuously disclosed as a line item in the Common Expense budget and shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

The Board shall send a copy of the budget and notice of the amount of the Base Assessment for the following year to each Owner at least 30 days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by Voting Members representing at least 75% of the total Class "A" votes in the Association and 75% of the total number of Voting Members, and by the Class "B" Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Voting Members as provided for special meetings in Section 2.4 of the By-Laws, which petition must be presented to the Board within 10 days after delivery of the notice of assessments.

If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

10.4 Computation of Village Assessments. At least 60 days before the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated Village Expenses for each Village on whose behalf Village Expenses are expected to be incurred during the coming year. The Board shall be entitled to set such budget only to the extent that this Declaration, any Supplemental Declaration, or the By-Laws specifically authorizes the

Board to assess certain costs as a Village Assessment. In addition to services required by this or any Supplemental Declaration to be provided by the Association, any Village may request that additional services or a higher level of services be provided by the Association and, upon approval of Owners in accordance with Section 3.4(a), any additional costs shall be added to such budget. Such budget shall include a capital contribution establishing a reserve fund for repair and replacement of capital items maintained as a Village Expense, if any, within the Village.

Village Expenses shall be allocated equally among all Units within the benefitted Village; provided, if so specified in a Supplemental Declaration applicable to such Village or if so directed by petition signed by a majority of the Owners within the Village, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefitted Units in proportion to the benefit received.

The Board shall cause a copy of such budget and notice of the amount of the Village Assessment for the coming year to be delivered to each Owner of a Unit in the Village at least 30 days prior to the beginning of the fiscal year. Such budget and assessment shall become effective unless, with respect only to additional services requested to be provided by the Village, disapproved by a majority of the Owners of Units in the Village to which the Village Assessment applies. However, there shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least 30% of the Units in such Village, which petition must be submitted to the Board within 10 days after delivery of the notice of assessments. This right to disapprove shall only apply to those line items in the Village budget which are attributable to services requested by the Village.

If the proposed budget for any Village is disapproved or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

10.5. Reserve Budget and Capital Contribution. The Board shall annually prepare reserve budgets for both general and Village purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the budget, with respect both to amount and timing by annual Base Assessment or Village Assessments, as appropriate, over the budget period.

10.6. Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses or against the Units within any Village if such Special Assessment is for Village Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Voting Members (if a Common Expense) or Owners (if a Village Expense) representing at least 51% of the total votes allocated to Units which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

10.7. Specific Assessments. The Board shall have the power to levy Specific Assessments against a particular Unit or Units constituting less than all Units within the properties or within a Village, as follows:

(a) to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Unit or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners (which might include, without limitation, landscape maintenance, handyman service, pool cleaning, pest control, etc.), which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner; and

(b) to cover costs incurred in bringing the Unit into compliance with the terms of this Declaration and the other Governing Documents or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their licensees, invitees, or guests; provided the Board shall give the Unit Owner prior written notice and an opportunity for a hearing before levying any Specific Assessment under this subsection (b); or

(c) to cover the costs, including overhead and administrative costs, of providing services as a condition of AACC approval of an Owner's request to change the Unit in some way after initial construction in a Village where the Association is required to maintain certain structures or plantings on a Unit.

The Association may also levy a Specific Assessment against any Village to reimburse the Association for costs incurred in bringing the Village into compliance with the provisions of the Declaration, and the other Governing Documents provided the Board gives the Voting Member from such Village prior written notice and an opportunity to be heard before levying any such assessment.

10.8. Date of Commencement of Assessments. The obligation to pay assessments shall commence as to each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base Assessment and Village Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

10.9. Lien for Assessments. All assessments authorized in this Article shall constitute a lien against the Unit against which they are levied until paid. The lien shall also secure payment of interest, late charges and costs of collection (including attorneys fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. The Association may enforce such lien, when delinquent, by suit, judgement, and foreclosure.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its

000141

equal pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid Common Expenses and costs without foreclosing or waiving the lien securing the same.

The sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A Mortgagee or other purchaser of a Unit who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 10.8, including such acquirer, its successors and assigns.

10.10. Failure to Assess. Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Village Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time the Association may retroactively assess any shortfalls in collections.

10.11. Capitalization of Association. Upon acquisition of record title to a Unit by the first Owner thereof other than the Declarant, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one-sixth of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. This amount shall be collected at closing of the purchase and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to the terms of this Declaration and the By-Laws.

10.12. Exempt Property. The following property shall be exempt from payment of Base Assessments, Village Assessments, and Special Assessments:

(a) all Common Area, and such portions of the property owned by the Declarant as are included in the Area of Common Responsibility pursuant to Section 5.1;

(b) any property dedicated to and accepted by any governmental authority or public utility;

(c) any property owned by a Village Association for the common use and enjoyment of its members, or owned by the members of a Village Association as tenants-in-common.

In addition, the Declarant shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for Section 501(c) status under the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

10.13 Effect of Default in Payment of Ad Valorem Taxes or Assessments for Public Improvements by Association. Upon default by the Association in the payment to the

governmental authority entitled thereto of any ad valorem taxes levied against the Common Area or assessments for public improvements to the Common Area, which default shall continue for a period of six (6) months, each Owner of a Unit shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Units. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Unit of the then Owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Unit of the Owner.

Article XI
ARCHITECTURAL AND AESTHETIC STANDARDS

11.1. General. No structure shall be placed, erected, or installed upon any Unit; no improvements (including, without limitation, staking, clearing, excavation, grading and other site work, exterior alteration of, addition to, or deletion from existing improvements, and planting or removal of landscaping materials) shall take place upon any Unit; and no decorative ornamentation or symbols of personal expression shall be displayed outside any dwelling except in compliance with this Article and the Design Guidelines and then only upon approval of the appropriate committee or subcommittee under Section 11.2.

Any Owner may remodel, paint or redecorate the interior of structures on his Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structures on the Unit shall be subject to approval.

All structures and improvements and any alterations, additions or deletions thereto constructed on any portion of the Properties shall be designed by and built in accordance with the plans and specifications of a licensed architect, engineer, or designer.

This Article shall not apply to the activities of the Declarant, nor to improvements to the Common Area by or on behalf of the Association.

This Article may not be amended without the Declarant's written consent so long as the Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

11.2. Architectural and Aesthetic Review. Responsibility for administration of the Design Guidelines, as defined below, review of all applications for construction and modifications and display of decorative ornamentation or symbols of personal expression under this Article shall be handled by the committee(s) and/or subcommittee(s) as described below. The members of the committee(s) and subcommittee(s) need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board. The Board may establish and charge reasonable fees for review of applications hereunder, which fees may increase from time to time, and may require such fees to be paid in full prior to review.

Architectural and Aesthetic Control Committee. The Architectural and Aesthetic Control Committee ("AACC") shall consist of at least three, but not more than five, persons and shall have exclusive jurisdiction over all construction (including original construction and subsequent modifications), improvements, decorative or functional ornamentation (including, without limitation, flags, statues, planters, bird feeders and baths, mailboxes and holiday displays) and signage or symbols of personal expression on any portion of the Properties. Until 100% of the Properties have been developed and conveyed to Owners other than Builders, the Declarant retains the right to appoint all members of the AACC who shall serve at the Declarant's discretion. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration of such right, the Board shall appoint the members of the AACC, who shall serve and may be removed in the Board's discretion.

The Architectural and Aesthetic Control Committee may request that the Board of Directors establish one or more subcommittees to assist in carrying out its responsibilities under this Section 11.2. Any such subcommittee shall consist of at least three and no more than five persons, all of whom shall be appointed by and shall serve at the discretion of the Board. Any member of any subcommittee may also be a member of the AACC. Each subcommittee shall have the jurisdiction assigned to it by the Architectural and Aesthetic Control Committee which shall have the right to veto any action taken by the subcommittee which the AACC determines, in its sole discretion, to be inconsistent with the Design Guidelines.

11.3 Guidelines and Procedures. The Declarant shall prepare the initial Design Guidelines. The Design Guidelines may contain general provisions applicable to all of the Properties, as well as specific provisions which vary from one portion of the Properties to another depending upon the location, unique characteristics, and intended use. The Design Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the AACC in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions of the AACC and its subcommittee(s) and compliance with the Design Guidelines does not guarantee approval of any application.

The AACC shall adopt such Design Guidelines and thereafter shall have sole and full authority to amend them. Any amendments to the Design Guidelines shall apply to activities commenced after the date of such amendment only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; the AACC is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines less restrictive.

The AACC shall make the Design Guidelines available to Owners and Builders who seek to engage in development or construction within the Properties and all such Persons shall conduct their activities in accordance with such Design Guidelines. In the Declarant's discretion, such Design Guidelines may be recorded in the land records of Guilford County, North Carolina, in which event the recorded version, as it may unilaterally be amended from time to time, shall control in the event of any dispute as to which version of the Design Guidelines was in effect at any particular time.

Each subcommittee may promulgate detailed procedures and standards governing its area of responsibility, consistent with those set forth in the Design Guidelines and subject to review and approval or disapproval by the AACC.

11.4. Submission of Plans and Specifications.

(a) No construction or improvements including, without limitation, buildings (including outbuildings of any kind), fences, walls, structures or landscaping, shall be commenced, erected, placed or maintained on any Unit, nor shall any exterior addition, change or alteration be made thereto, and no functional or decorative ornamentation, signage or symbol(s) of personal expression shall be permitted until the plans and specifications ("Plans") showing shape, dimension, height, layout, design, exterior elevations, appearance from all sides, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout and screening therefor, as applicable, and time for completion shall have been submitted to and approved in writing by the AACC or its subcommittee(s), as appropriate. The Design Guidelines shall set forth the procedure for submission of the Plans and any requirements for posting bonds or security deposits in connection with construction activities.

(b) In reviewing each submission, the AACC or its subcommittees, as appropriate, may consider lot size, shape and topography, site conditions, visual and environmental impact, ecological compatibility, natural platforms and finish grade elevation, harmony of external design with surrounding structures and environment, design theme for the applicable portion of the Properties and location in relation to surrounding structures and plant life. The committees may require relocation, replacement or protection of native plants or other elements within the construction site as a condition of approval of any submission.

The AACC or its subcommittees, as appropriate, shall, within 60 days after receipt of each submission of the Plans, advise the party submitting the same, in writing, at an address specified by such party at the time of submission, of (i) the approval of Plans, or (ii) disapproval thereof, citing the reasons for such disapproval and offering suggestions for the curing of such objections. In the event the appropriate committee fails to advise the submitting party by written notice within the time set forth above of either the approval or disapproval of the Plans, approval shall be deemed to have been given. Notice shall be deemed to have been given at the time the envelope containing such notice, properly addressed, and postage prepaid, is deposited with the U. S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery.

(c) If construction does not commence on a project for which Plans have been approved within 3 months of such approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to resubmit the Plans to the Declarant for reconsideration. All improvements, including landscaping, shall be diligently and continuously pursued until completion and, in any event, shall be completed within the approved time period as measured from the date of plan approval.

11.5. No Waiver of Future Approvals. Each Owner acknowledges that the members of the AACC and its subcommittee(s) will change from time to time and that interpretation, application and enforcement of the Design Guidelines may vary accordingly. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute

001145

a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

11.6. Variance. The AACC may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require. No such variances shall (a) be effective unless in writing; (b) be contrary to this Declaration, or (c) estop the AACC from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, the cost of compliance, or the terms of any financing shall not be considered a hardship warranting a variance.

11.7. Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither the AACC nor its subcommittee(s) shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board, any committee, or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Unit.

11.8. Enforcement. Any structure, improvement or other matter (including ornamentation and symbols of personal expression) subject to this Article placed or made in violation of this Article shall be deemed to be non-compliant. Upon written request from the Board or the Declarant, Owners shall, at their own cost and expense, remove the same and restore the land to substantially the same condition as existed prior to the non-compliant work or activity. Should an Owner fail to remove and restore as required, the Board or its designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefitted Unit and collected as a Specific Assessment.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the AACC and its subcommittee(s).

Article XII
USE GUIDELINES AND RESTRICTIONS

12.1. Plan of Development: Applicability: Effect. Declarant has created Grandover as a mixed-use development and, in furtherance of its and every other Owner's interests, has established a general plan of development for Grandover as a master planned community. The Properties are subject to land development, architectural, and design guidelines as set forth in Article XI. The Properties are subject to guidelines and restrictions governing land use, individual conduct, and uses of or actions upon the Properties as provided in this Article XII. This Declaration and resolutions the Board or the Voting Members may hereafter adopt establish affirmative and negative covenants, easements, and restrictions (the "Use Guidelines and Restrictions").

000116

All provisions of this Declaration and any Association rules shall apply to all occupants, tenants, guests and invitees of any Unit. Any lease on any Unit shall provide that the lessee and all occupants of the leased Unit shall be bound by the terms of this Declaration, the By-Laws, and the rules of the Association.

Declarant promulgates Grandover's general plan of development in order to protect all Owners' quality of life and collective interests, the aesthetics and environment within the Properties, and the vitality of and sense of community within Grandover all subject to the Board's and the Voting Members' ability to respond to changes in circumstances, conditions, needs, and desires within the master planned community.

Declarant has prepared initial Use Guidelines and Restrictions which contain general provisions applicable to all of the Properties, as well as specific provisions which may vary within the Properties depending upon the location, characteristics, and intended use. Such initial Use Guidelines and Restrictions are set forth in Section 12.6. Based upon these Use Guidelines and Restrictions, the Board shall adopt the initial rules at its initial organizational meeting.

12.2. Board Power. Subject to the terms of this Article XII and to its duty of care and undivided loyalty to the Association and its Members, the Board shall implement and manage the Use Guidelines and Restrictions through rules which adopt, modify, cancel, limit, create exceptions to, or expand the Use Guidelines and Restrictions. Prior to any such action, the Board shall conspicuously publish notice of the proposal at least five business days prior to the Board meeting at which such action is to be considered. Voting Members shall have a reasonable opportunity to be heard at a Board meeting prior to action being taken.

The Board shall send a copy of any proposed new rule or amendment to each Owner at least 30 days prior to its effective date. The rule shall become effective unless disapproved at a meeting by Voting Members representing at least two-thirds (2/3) of the total Class "A" votes and by the Class "B" Member, if any. The Board shall have no obligation to call a meeting of the Voting Members to consider disapproval except upon petition of the Voting Members as required for special meetings in By-Laws Section 2.4.

The Board shall have all powers necessary and proper, subject to its exercise of sound business judgment and reasonableness, to effect the powers and enforce the provisions contained in this Section 12.2.

The Board shall provide, without cost, a copy of the Use Guidelines and Restrictions and rules then in effect to any requesting Member or Mortgagee.

12.3. Members' Power. The Voting Members, at a meeting duly called for such purpose as provided in By-Laws Section 2.4, may adopt, repeal, modify, limit, and expand the Use Guidelines and Restrictions and rules by a vote of two-thirds (2/3) of the total Class "A" votes and the approval of the Class "B" Member, if any.

12.4. Owners' Acknowledgement. All Owners are subject to the Use Guidelines and Restrictions and are given notice that (a) their ability to use their privately owned property is limited thereby, and (b) the Board and/or the Voting Members may add, delete, modify, create exceptions to, or amend the Use Guidelines and Restrictions in accordance with Sections 12.2, 12.3, and 18.2.

000117

Each Owner by acceptance of a deed acknowledges and agrees that the use and enjoyment and marketability of his or her property can be affected by this provision and that the Use Guidelines and Restrictions and rules may change from time to time.

12.5. Rights of Owners. Except as may be specifically set forth in Section 12.6, neither the Board nor the Voting Members may adopt any rule in violation of the following provisions:

(a) Equal Treatment. Similarly situated Owners and occupants shall be treated similarly.

(b) Activities Within Dwellings. No rule shall interfere with the activities carried on within the confines of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other dwellings, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, that block the views from other Units, or that create an unreasonable source of annoyance or a nuisance.

(c) Pets. Unless the keeping of pets in any Village is prohibited by Supplemental Declaration at the time of the sale of the first Unit in such Village, no rule prohibiting the keeping of ordinary household pets shall be adopted thereafter over the objection of any affected Owner expressed in writing to the Association. The Association may adopt reasonable regulations designed to minimize damage and disturbance to other Owners and occupants, including regulations requiring damage deposits, waste removal, leash controls, noise controls, occupancy limits based on size and facilities of the Unit and fair share use of the Common Area. Nothing in this provision shall prevent the Association from requiring removal of any animal that presents an actual threat to the health or safety of residents or from requiring abatement of any nuisance or unreasonable source of annoyance.

(d) Allocation of Burdens and Benefits. Except as permitted by Section 2.2, the initial allocation of financial burdens and rights to use Common Areas among the various Units shall not be changed to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Areas available, from adopting generally applicable rules for use of Common Areas, or from denying use privileges to those who abuse the Common Area, violate rules, this Declaration, or the Governing Documents or fail to pay assessments. This provision does not affect the right to increase the amount of assessments as provided in Article X.

(e) Alienation. No rule shall prohibit transfer of any unit, or require consent of the Association or Board for transfer of any Unit, for any period greater than two months. The Association shall not impose any fee on transfer of any Unit greater than an amount reasonably based on the costs to the Association of the transfer.

(f) Reasonable Rights to Develop. No rule or action by the Association or board shall unreasonably impede Declarant's right to develop in accordance with the Master Plan.

(g) Interference with Private Amenities. No rule or action by the Association shall interfere with the use or operation of the Private Amenities.

000148

12.6. Initial Use Guidelines and Restrictions.

(a) General. Except as may be otherwise provided in this Article, the Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business or sales offices or models for the Declarant or the Association consistent with this Declaration and any Supplemental Declaration). Any Supplemental Declaration or additional covenants imposed on the property within any Village may impose stricter standards than those contained in this Article and the Association shall have standing and the power to enforce such standards.

(b) Restricted Activities. The following activities are prohibited within the Properties unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board;

(i) Parking of commercial vehicles, trucks in excess of one ton, recreational vehicles, mobile homes, boats or other watercraft, or other oversized vehicles, stored vehicles or inoperable vehicles on any street or in places other than enclosed garages and parking vehicles owned by residents on any street or any place other than one's driveway;

(ii) Capturing, trapping or killing of wildlife within the Properties, except in circumstances posing an imminent threat to the safety of persons using the Properties, and raising, breeding or keeping of animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Unit. However, those pets which are permitted to roam free, or in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Units, users of the Common Area or users of the Private Amenities, shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet;

(iii) Activities which materially disturb or destroy the vegetation, wildlife or air quality within the Properties or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution or which create a nuisance; activities that cause a Unit to be unclean or untidy, that emit odors or noise that might disturb the peace, quiet, safety, or comfort of occupants of surrounding property; or activities which tend to cause embarrassment or annoyance to other users of the Properties;

(iv) Obstruction or rechanneling of drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that the Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent;

(v) Subdivision of a Unit into two or more Units after a subdivision plat including such Unit has been approved and filed with the appropriate governmental authority, or changing the boundary lines of any Unit without the consent of the Declarant, except that the Declarant and Builders, with Declarant's consent, shall be permitted to subdivide or change the boundary lines of Units which they own;

(vi) Operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on

a fixed or floating time schedule over a period of years, except that Declarant and its assigns may operate such a program with respect to Units which they own;

(vii) Any Business, Trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Unit may conduct Business activities within the Unit so long as: (a) the existence or operation of the activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (b) the activity conforms to all requirements of the City of Greensboro Development Ordinance for conducting such activities in RS residential zones; (c) the activity does not involve regular visitation of the Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Properties; and (d) the activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security of safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

This subsection shall not apply to any activity conducted by the Declarant or a Builder or developer approved by the Declarant with respect to the development, sale or rental of the Properties or the use of any Units or Properties which it owns, including the operation of a timeshare or similar program, lodging or similar facility, leasing of office, retail or other commercial facility or operation of golf course(s) or other private amenities.

(viii) Any construction, erection or placement of ornamentation or other objects or equipment (including without limitation antennae, satellite dishes and other reception devices), permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in accordance with Article XI.

(ix) No lease of a Unit by anyone other than the Declarant or its successors, assigns or transferee(s) shall be permitted except in accordance with the following requirements:

(a) The lease shall be in writing for a term of not less than six (6) months.

(b) A copy of the lease and the names, addresses and telephone numbers of the lessee(s) shall be provided to the Board prior to the commencement of the lease term.

(c) The lease shall state that the lessee(s) and any occupants, guests and invitees of the Unit shall be bound by the Governing Documents and that the Governing Documents have been provided to the lessee(s) by the Owner of the Unit.

(d) The Owner(s) of the Unit shall continue to be fully bound by the Governing Documents.

Article XIII EASEMENTS

13.1. Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units due to the

000100

unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, an Owner, occupant, or the Association.

13.2 Easements for Utilities, Etc. (a) There are hereby reserved unto Declarant, so long as the Declarant owns any property described on Exhibit "A" or "B," of this Declaration, the Association, and the designees of each (which may include, without limitation, Guilford County, the City of Greensboro and any utility company or communications system provider) access and maintenance easements upon, across, over, and under all of the Properties to the extent reasonably necessary for the purpose of replacing, repairing, and maintaining cable television systems, master television antenna systems, security and similar systems, roads, walkways, bicycle pathways, trails, ponds, wetlands, drainage systems, street lights, signage, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas, and electricity, and for the purpose of installing any of the foregoing on property which it owns or within easements designated for such purposes on recorded plats of the Properties. This easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing dwelling on a Unit, and any damage to a Unit resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

(b) There is hereby reserved to the Declarant, so long as the Declarant owns any property described on Exhibit "A" or "B" of this Declaration, the non-exclusive right and power to grant such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described on Exhibits "A" or "B".

Declarant specifically grants to the local water supplier, electric company, and natural gas supplier easements across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the dwelling on any Unit, nor shall any utilities be installed or relocated on the Properties, except as approved by the Board or Declarant.

13.3. Easements for Collection of Storm Water Runoff and Flood Water. The Declarant reserves for itself, and its successors, assigns, and designees the nonexclusive right and easement, but not the obligation, to enter upon any Area of Common Responsibility to (a) install, keep, maintain, and replace pumps in order to provide water for the irrigation of any of the Area of Common Responsibility or the Golf Course(s); (b) construct, maintain, and repair any structure, facility, equipment or line designed to divert, collect, retain or carry water; and (c) remove trash and other debris. The Declarant, the Association, and their designees shall have an access easement over and across any of the Properties to the extent reasonably necessary to exercise their rights under this Section.

There is further reserved herein for the benefit of Declarant, the Association, and their designees, a perpetual, nonexclusive right and easement of access and encroachment over

the Common Area and Units (but not the dwellings thereon) adjacent to or within 50 feet of lake beds, ponds and streams within the Properties, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Properties; (b) maintain and landscape the slopes and banks of such ponds and streams; and (c) enter upon and across such portions of the Properties for the purpose of exercising its rights under this Section. All persons entitled to exercise these easements shall use reasonable care in, and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural disasters.

13.4. Easements to Serve Additional Property. The Declarant hereby reserves for itself and its duly authorized agents, representatives, employees, successors, assigns, licensees, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B" whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access roadway serving such property.

13.5 Easements for Golf Course(s).

(a) Every Unit and Common Area and the common property of any Village Association are burdened with an easement permitting golf balls unintentionally to come upon such Common Area, Units or common property of a Village and for golfers at reasonable times and in a reasonable manner to come upon the Common Area, common property of a Village, or the exterior portions of a Unit to retrieve errant golf balls; provided, however, if any Unit is fenced or walled, the golfer shall seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement: the Declarant; the Association or its Members (in their capacity as such); the owners of the Golf Course(s), its successors and assigns, any successor Declarant; any builder or contractor (in their capacities as such); any officer, director or partner of any of the foregoing, or any officer or director of any partner.

(b) The owner of the Golf Course(s), its respective agents, successors and assigns, and the users of the Golf Course(s) shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Areas and Properties reasonably necessary to the operation, maintenance, repair, replacement and use of the respective Golf Course(s), including without limitation the right of users to operate golf carts upon the Common Areas.

(c) The Properties immediately adjacent to the Golf Course(s) are hereby burdened with a non-exclusive easement in favor of the Golf Course(s) for overspray associated with the maintenance of Golf Course(s). Under no circumstances shall the Association or the owners of the Golf Course(s) be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

000152

(d) The owner of the Golf Course(s), its respective successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water within the Common Areas lying reasonably within range of golf balls hit from the Golf Course(s).

13.6. Easements for Cross-Drainage. Every Unit and the Common Area shall be burdened with easements for natural drainage of storm water runoff from other portions of the Properties and the Golf Course(s); provided, no Person shall alter the natural drainage on any Unit so as to materially increase the drainage of storm water onto adjacent portions of the Properties without the consent of the Owner of the affected property.

13.7. Right of Entry. The Association shall have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance pursuant to Article V hereof, and to inspect for the purpose of ensuring compliance with this Declaration, any Supplemental Declaration(s), By-Laws, and rules, which right may be exercised by any member of the Board, the Association, officers, agents, employees, and managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon any Unit to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board, but shall not authorize entry into any single family detached dwelling without permission of the Owner, except by emergency personnel acting in their official capacities.

13.8. Easements to Owners, Residents and Users of Grandover. The Association shall have the right to grant non-exclusive easements to use the Common Areas to owners, residents and/or users of Grandover, either with or without payment for such use, in its discretion or as may be required by the City of Greensboro Development Ordinance.

Article XIV MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in the Properties. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

14.1. Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage who provides written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Declaration or By-Laws relating to such Unit or the Owner or Occupant which is not cured within 60 days. Notwithstanding this provision, any holder of a first Mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Unit of any obligation under the Declaration or By-Laws which is not cured within 60 days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of specified percentage of Eligible Holders.

14.2. Special FHLMC Provision. So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least 67% of the first Mortgagees or Voting Members representing at least 67% of the total Association vote entitled to cast consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for public utilities or other similar purposes consistent with the intended use of the Common Area and reconveyance to Declarant pursuant to Section 4.2 shall not be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit (A decision, including contracts, by the Board or provisions of any declaration subsequently recorded on any portion of the Properties regarding assessments for Villages or other similar areas shall not be subject to this provision where such decision or subsequent declaration is otherwise authorized by this Declaration.);

(c) By act or omission change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance or maintenance of Units and the Common Area (The issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision.);

(d) Fail to maintain insurance as required by this Declaration;

(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

14.3. Other Provisions for First Lien Holders. To the extent possible under North Carolina law:

(a) Any restoration or repair of the Properties after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and the original plans and specifications unless the approval is obtained of the Eligible Holders of first Mortgages on Units to which at least 51% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

(b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of first Mortgages on Units to which at least 51% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

14.4. Amendments to Documents. The following provisions do not apply to amendments to the constituent documents or termination of the Association made as a result of destruction, damage, or condemnation pursuant to Section 14.3(a) and (b), or to the addition of land in accordance with Article IX.

(a) The consent of Voting Members representing at least 67% of the Class "A" votes and of the Declarant, so long as it owns any land subject to this Declaration and the approval of the Eligible Holders of first Mortgages on Units to which at least 67% of the votes of Units subject to a Mortgage appertain, shall be required to terminate the Association.

(b) The consent of Voting Members representing at least 67% of the Class "A" votes and of the Declarant so long as it owns any land subject to this Declaration, and the approval of Eligible Holders of first Mortgages on Units to which at least 51% of the votes of Units subject to a Mortgage appertain, shall be required materially to amend any provisions of the Declaration, By-Laws, or Articles of Incorporation, or to add any material provisions thereto which establish, provide for, govern, or regulate any of the following:

- (i) voting
- (ii) assessments, assessment liens, or subordination of such
- (iii) reserves for maintenance, repair, and replacement of the Common Area;
- (iv) insurance or fidelity bonds;
- (v) rights to use the Common Area;
- (vi) responsibility for maintenance and repair of the Properties;
- (vii) expansion or contraction of the Properties or the addition, annexation, or withdrawal of Properties to or from the Association;
- (viii) boundaries of any Unit;
- (ix) leasing of Units;

000155

- (x) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey his or her Unit;
- (xi) establishment of self-management by the Association where professional management has been required by an Eligible Holder; or
- (xii) any provisions included in the Declaration, By-Laws, or Articles of Incorporation which are for the express benefit of holders, guarantors, or insurers of first Mortgages on Units.

14.5. No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

14.6. Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

14.7. Amendment by Board. Should the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation subsequently delete any of its respective requirements which necessitate the provisions of this Article or make any such requirements less stringent, the Board, without approval of the Owners, may record an amendment to this Article to reflect such changes.

14.8. Applicability of Article XIV. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, By-Laws, or North Carolina law for any of the acts set out in this Article.

14.9. Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

Article XV DECLARANT'S RIGHTS

Any or all of the special rights and obligations of the Declarant set forth in this Declaration or the By-Laws may be transferred to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in this Declaration or the By-Laws. No such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the land records of Guilford County, North Carolina.

So long as construction and initial sales of Units shall continue, the Declarant and Builders authorized by Declarant may maintain and carry on upon portions of the Common

Area such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such Units, including, but not limited to, business offices, signs, model units, and sales offices. The Declarant and authorized Builders shall have easements for access to and use of such facilities.

No Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by recorded consent signed by the Declarant. Notwithstanding anything in this Declaration to the contrary, it is Declarant's expressed intent that there shall be no other association applicable to any of the Properties except such association(s) as are required by law.

This Article may not be amended without the written consent of the Declarant. The rights contained in this Article shall terminate upon the earlier of (a) 40 years from the date this Declaration is recorded, or (b) upon recording by Declarant of a written statement that all sales and development activity has ceased and Declarant does not intend to further develop any of the property shown on Exhibits "A" or "B".

Notwithstanding any contrary provision of this Declaration, no amendment to or modification of any Use Restrictions and Rules or Design Guidelines made after termination of the Class "B" Control Period shall be effective without prior notice to and the written approval of Declarant so long as the Declarant owns any portion of the Properties primarily for development and sale.

Article XVI GOLF COURSE(S)

16.1. Ownership and Operation of Golf Course(s). All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by the Declarant or any other Person with regard to the continuing existence, ownership or operation of the Golf Course(s), if any, and no purported representation or warranty in such regard, either written or oral, shall ever be effective without an amendment to this Declaration executed or joined into by the Declarant. Further, the ownership and/or operation of the Golf Course(s), if any, may change at any time and from time to time by virtue of, but without limitation, (a) the sale to or assumption of operations of the Golf Course(s) by an independent entity or entities; (b) the creation or conversion of the ownership and/or operating structure of the Golf Course(s) to an "equity" club or similar arrangement whereby the Golf Course(s) or the rights to operate it are transferred to an entity which is owned or controlled by its members; or (c) the transfer of ownership or control of the Golf Course(s) to one or more affiliates, shareholders, employees, or independent contractors of the Declarant. No consent of the Association, any Village Association, or any Owner shall be required to effectuate such transfer or conversion.

16.2. Right to Use. Neither membership in the Association nor ownership or occupancy of a Unit shall confer any ownership interest in or right to use the Golf Course(s). Rights to use the Golf Course(s) will be granted only to such persons, and on such terms and conditions, as may be determined from time to time by the owner of the Golf Course(s). The

owner of the Golf Course(s) shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Golf Course(s), including, without limitation, eligibility for and duration of use rights, categories of use and extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the provisions of any outstanding membership documents.

16.3. View Impairment. Neither the Declarant, the Association nor the owner or operator of the Golf Course(s) guarantees or represents that any view over and across the Golf Course(s) from adjacent Units will be preserved without impairment. The owner of the Golf Course(s), if any, shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in its sole and absolute discretion, to add trees and other landscaping to the Golf Course(s) from time to time. In addition, the owner of the Golf Course(s) may, in its sole and absolute discretion, change the location, configuration, size and elevation of the tees, bunkers, fairways and greens on the Golf Course(s) from time to time. Any such additions or changes to the Golf Course(s) may diminish or obstruct any view from the Units and express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

16.4. Assumption of Golf Course Risks. Each Owner of a Unit located adjacent to a Golf Course ("Golf Course Unit") acknowledges (a) that he or she has willingly purchased such Unit, (b) that he or she may have paid more for such Golf Course Unit than was paid for other Units in the Properties on account of its location adjacent to the Golf Course(s), and (c) generally, property adjacent to a golf course is highly desirable and owners of such property typically expect such location to add to the value of the property in the future. Each Owner of a Golf Course Unit, however, also understands and agrees that a Golf Course Unit and persons residing at or visiting a Golf Course Unit are subject to attendant risks from owning, residing in or visiting a Golf Course Unit, including (a) the risk of damage and injury to property and persons from flying golf balls and (b) the inconvenience of golfers entering upon the Golf Course Unit from time to time to retrieve golf balls (collectively, the "Golf Course Risks"). Each Owner of a Golf Course Unit acknowledges and agrees that he or she is willing to assume the Golf Course Risks as a trade off for potentially higher property values, the personal enjoyment of owning a Golf Course Unit and other benefits arising out of owning a Golf Course Unit. Each Owner of a Golf Course Unit, for itself and for its successors, assigns, personal representatives, and invitees and guests hereby assumes all the Golf Course Risks and hereby releases the Declarant, the owners of the Golf Course(s) and the operator of the golf course(s), and the successors and assigns of such persons, from any and all liability for damage or injury caused by the Golf Course Risks in and around the Golf Course Unit. Further, each Owner of a Golf Course Unit hereby agrees to indemnify, defend and hold harmless Declarant; the operator of the Golf Course(s); the owner of the Golf Course(s); the officers, directors, agents and partners of Declarant, the operator and the owner; and the successors, assigns and personal representatives of all such persons from any and all claims, damages or liability arising out of or related to damage or injury to persons or property caused directly or indirectly by the Golf Course Risks. The assumption of the Golf Course Risks and the agreement to indemnify and hold harmless shall run with the land and shall be binding on each Owner and upon the successors, assigns and personal representatives and guests and permittees of each Owner of a Golf Course Unit.

16.5. No Access to Golf Course(s). No Owners, their guests, invitees nor their permittees shall be permitted to enter upon the Golf Course(s) from any Golf Course Unit or

000158

from any other portion of the Properties. The only entry to any Owner of any Unit shall be in the same manner and upon the same terms and conditions as may be determined from time to time by the Owner of the Golf Course(s). The Golf Course(s) are private property and no Owner of a Golf Course Unit and no Owner of any other Unit acquires any right to travel upon, landscape or otherwise use any portion of the Golf Course(s) in conjunction with the ownership of the respective Units.

16.6. Golf Course(s) Maintenance Easement. The Declarant shall have the right to grant maintenance easements to the Golf Course(s) across the Units and Common Areas. Without limiting the generality of the foregoing, the Declarant shall have the right to grant easements across the Units to provide the Golf Course Owner or Operator with convenient maintenance access to lakes and other features located upon the Golf Course(s) or Common Area.

16.7. Golf Cart Paths. As may be shown on Exhibit A or the Master Plan, golf cart paths are found throughout the Properties. Such paths connect different portions of the Golf Course(s) to each other. Patrons of the Golf Course(s) shall be entitled to use such golf cart paths, street crossings and underpasses; and costs and expenses of maintaining the same shall be borne by the operator of the Golf Course(s).

16.8 Rights of Access and Parking. There is hereby established for the benefit of the Golf Course(s) and their owner(s), members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees, a right and nonexclusive easement of access and use over all roadways located within the Properties reasonably necessary to travel between the entrance to the Properties and the Golf Course(s) and over those portions of the Properties (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Golf Course(s). Without limiting the generality of the foregoing, members of the Golf Course(s) and guests and invitees of the Golf Course(s) shall have the right to park their vehicles on the roadways and Common Areas located within the Properties at reasonable times before, during, and after tournaments and other similar functions held by or at the Golf Course(s) to the extent that the Golf Course(s) has insufficient parking to accommodate such vehicles.

16.9 Architectural Control. Neither the Association, any other association, or any board or committee thereof, shall approve or permit any construction, addition, alteration, change, or installation on or to any portion of the Properties which is adjacent to or otherwise in the direct line of sight of, any Golf Course(s) without giving the owner(s) of the Golf Course(s) at least 15 days' prior written notice of its intent to approve or permit the same together with copies of the request and all other documents and information finally submitted in such regard. The owner(s) of the Golf Course(s) shall then have 15 days to approve or disapprove the proposal in writing delivered to the appropriate committee or association, stating in detail the reasons for any disapproval. The failure of the owner(s) Golf Course(s) to respond to the notice with the 15-day period shall constitute a waiver of the Golf Course(s)'s right to object to the matter. This Section shall also apply to any work on the Common Area or any common property or common elements of any other association.

16.10. Limitations on Amendments. In recognition of the fact that the provisions of this Article are for the benefit of the owner of the Golf Course(s), no amendment to this Article, and no amendment in derogation of any rights reserved or granted to the owner of the Golf Course(s) by other provisions of this Declaration, may be made without the written

approval of the owner of the Golf Course(s). The foregoing shall not apply, however, to amendments made by the Declarant.

16.11. Jurisdiction and Cooperation. It is Declarant's intention that the Association and the owner of the Golf Course(s) shall cooperate to the maximum extent possible in the operation of the Properties and the Golf Course(s). Each shall reasonably assist the other in upholding the Community-Wide Standard. The Association shall have no power to promulgate rules and regulations affecting activities on or use of the Golf Course(s).

Article XVII
DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

17.1. Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes. The Association, its officers, directors and committee members, Declarant, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Properties, and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Bound Party covenants and agrees that all claims, grievances or disputes between such Bound Party and any other Bound Party involving the Properties, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of this Declaration, the By-Laws, the Association rules, or the Articles of Incorporation (collectively "Claim"), or the rights, obligations and duties of any Bound Party under the Governing Documents, except for those Claims identified in Section 17.2, shall be subject to the procedures set forth in Section 17.3.

17.2. Exempt Claims. The following Claims ("Exempt Claims") shall be exempt from the provisions of Section 17.3.

- (a) any suit by the Association against any Bound Party to enforce the provisions of Article X;
- (b) any suit by the Association to obtain a temporary restraining order or other mandatory or prohibitive equitable relief and such other ancillary relief as permitted to enforce the provisions of Article XI and Article XII; and
- (c) Any suit by an Owner to challenge the actions of the Declarant, the AACC or any other committee or subcommittee with respect to approach, disapproval, application or enforcement of the provisions of Article XI and Article XII;
- (d) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;
- (e) any suit in which any indispensable party is not a Bound Party; and
- (f) any suit which otherwise would be barred by any applicable statute of limitations.

Any Bound Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section 17.3, but there shall be no obligation to do so.

17.3. Mandatory Procedures for All Other Claims. Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent"), other than a Claim exempted from this provision by Section 17.2, shall not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of such Claim until it has complied with the following procedures:

(a) Notice. The Claimant shall notify each Respondent in writing of the Claim (the "Notice"), stating plainly and concisely:

1. the nature of the Claim, including date, time, location, persons involved, Respondent's role in the Claim and the provisions of this Declaration, the By-Laws, the Rules, the Articles of Incorporation or other authority out of which the Claim arises;

2. the basis of the Claim (i.e., the provision of the Declaration, By-Laws, rules or Articles triggered by the Claim);

3. what Claimant wants Respondent to do or not do to resolve the Claim; and

4. that Claimant wished to resolve the Claim by mutual agreement with Respondent, and is willing to meet in person with Respondent at a mutually agreeable time and place to discuss in good faith ways to resolve the Claim.

(b) Negotiation.

1. Each Claimant and Respondent (the "Parties") shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation.

2. Upon receipt of a written request from any Party, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in resolving the dispute by negotiation, if in its discretion it believes its efforts will be beneficial to the Parties and to the welfare of the community.

(c) Mediation.

1. If the Parties do not resolve the Claim through negotiation within 30 days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days within which to submit the Claim to mediation under the auspices of the Private Adjudication Center of Duke University, or such other independent agency providing similar services upon which the Parties may mutually agree.

2. If Claimant does not submit the Claim to mediation within 30 days after Termination of Negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on

account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.

(d) Final and Binding Arbitration.

1. If the Parties do not resolve the Claim through mediation, the Claimant shall have 30 days following termination (as determined by the mediator) of mediation proceedings ("Termination of Mediation") to submit the Claim to arbitration in accordance with the Rules of Arbitration contained in Exhibit "D" or the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.

2. This subsection (d) is an agreement of the Bound Parties to arbitrate all Claims except Exempt Claims and is specifically enforceable under the applicable arbitration law of the State of North Carolina. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of North Carolina.

17.4. Allocation of Costs of Resolving Claims.

(a) Each Party shall bear all of its own costs incurred prior to and during the proceedings described in Section 17.3 (a), (b) and (c), including the fees of its attorney or other representative. Each Party shall share equally all charges rendered by the mediator(s) pursuant to Section 17.3(c).

(b) Each Party shall bear all of its own costs (including the fees of its attorney or other representative) incurred after the Termination of Mediation under Section 17.3(c) and shall share equally in the costs of conducting the arbitration proceeding (collectively, "Post Mediation Costs") except as otherwise provided in this subsection; provided, however, if the Claim is rejected in whole or in part, the Claimant shall pay all Post Mediation costs, including the costs incurred by the Respondent.

17.5. Enforcement of Resolution. If the Parties agree to resolve any Claim through negotiation or mediation in accordance with Section 17.3 and any Party thereafter fails to abide by the terms of such Agreement, or if the Parties agree to accept the Award following arbitration and any Party thereafter fails to comply with such Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to again comply with the procedures set forth in Section 17.3. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys fees and court costs.

Article XVIII
GENERAL PROVISIONS

18.1. Term. This Declaration shall run with and bind the Properties, and shall inure to the benefit of and shall be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors, and assigns, for a term of 40 years from the

date this Declaration is recorded. After such time, this Declaration shall be automatically extended for successive periods of 10 years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding each extension, agreeing to amend, in whole or in part, or terminate this Declaration, in which case this Declaration shall be amended or terminated as specified therein.

18.2. Amendment.

(a) By Declarant. Until termination of the Class "B" Control Period, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, the Declarant may unilaterally amend this Declaration if such amendment is (i) necessary to bring any provision into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) required by an institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to make, purchase, insure or guarantee mortgage loans on the Units; or (iv) otherwise necessary to satisfy the requirements of any governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. So long as the Declarant still owns property described in Exhibits "A" or "B" for development as part of the Properties, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

Notwithstanding the foregoing, no amendment regarding the obligation to maintain permanent water quality ponds shall be effective without the consent of the City of Greensboro or the government authority with jurisdiction over watershed protection.

(b) By Owners. Thereafter and otherwise, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members representing 75% of the total Class "A" votes in the Association, including 75% of the Class "A" votes held by Members other than the Declarant and the consent of the Declarant, so long as the Declarant has an option to subject additional property to this Declaration pursuant to Section 9.1. In addition, the approval requirements set forth in Article XIV hereof shall be met if applicable. Notwithstanding the foregoing, no amendment regarding the obligation to maintain permanent water quality ponds shall be effective without the consent of the City of Greensboro or the government authority with jurisdiction over watershed protection.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to this Declaration shall become effective upon recordation in the land records of Guilford County, North Carolina, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to so consent, and no contrary

provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

No amendment may remove, revoke, or modify any right or privilege of the Declarant without the written consent of the Declarant or the assignee of such right or privilege.

18.3. Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

18.4. Perpetuities. If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

18.5. Litigation. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of 75% of the Voting Members. A Voting Member other than an Owner entitled to cast only the vote for its own Unit(s) pursuant to Section 3.4(b), shall not vote in favor of bringing or prosecuting any such proceeding unless authorized to do so by a vote of Owners holding 75% of the total votes attributable to Units in the Village represented by the Voting Member. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article X; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above. This provision shall apply in addition to the provisions of Article XVII, if applicable.

18.6. Cumulative Effect; Conflict. The covenants, restrictions, and provisions of this Declaration shall be cumulative with those of any Village and the Association may, but shall not be required to, enforce the covenants, conditions, and provisions of any Village; provided, however, in the event of conflict between or among such covenants and restrictions, and provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, those of any Village shall be subject and subordinate to those of the Association. The foregoing priorities shall apply, but not be limited to, the liens for assessments created in favor of the Association.

18.7. Use of the Word "Grandover". No Person shall use the words "Grandover" or any derivative or any other term which Declarant may select as the name of this development of any component thereof in any printed or promotional material without the Declarant's prior written consent. However, Owners may use the word "Grandover" if the same is included in their official mailing or street address, and the Association shall be entitled to use the word "Grandover" in its name.

18.8. Compliance. Every Owner and occupant of any Unit shall comply with this Declaration, the By-Laws, and the rules of the Association. Failure to comply shall be grounds for an action to recover sums due, for damages or injunctive relief, or for any other remedy

available at law or in equity, by the Association or, in a proper case, by any aggrieved Unit Owner(s).

18.9. Notice of Sale or Transfer of Title. Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this 22nd day of September, 1995.

ATTEST:

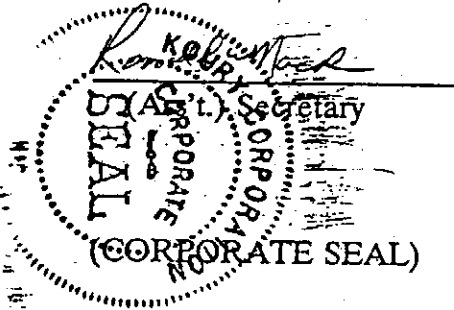
DECLARANT:

KOURY VENTURES LIMITED PARTNERSHIP

By: Koury Corporation, its general partner

By: Stephen D. Shaufly
President

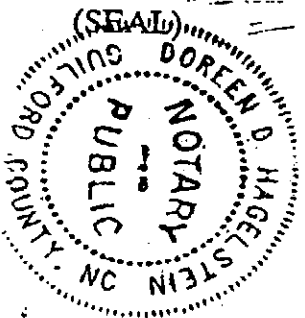
ADDRESS: 400 Four Seasons Town Centre
Greensboro, NC 27407



STATE OF NORTH CAROLINA
COUNTY OF GUILFORD

I, Doreen D. Hagelstein a Notary Public of the County and State aforesaid, do certify that Ronald W. Mack personally came before me this day and acknowledged that he is Asst. Secretary of Koury Corporation, a North Carolina corporation, General Partner of Koury Ventures Limited Partnership, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Asst. Secretary on behalf of the Limited Partnership. Witness my hand and official stamp or seal, this the 22nd day of September, 1995.

My Commission expires: May 6, 1996



Doreen D. Hagelstein
Notary Public

000165

000167

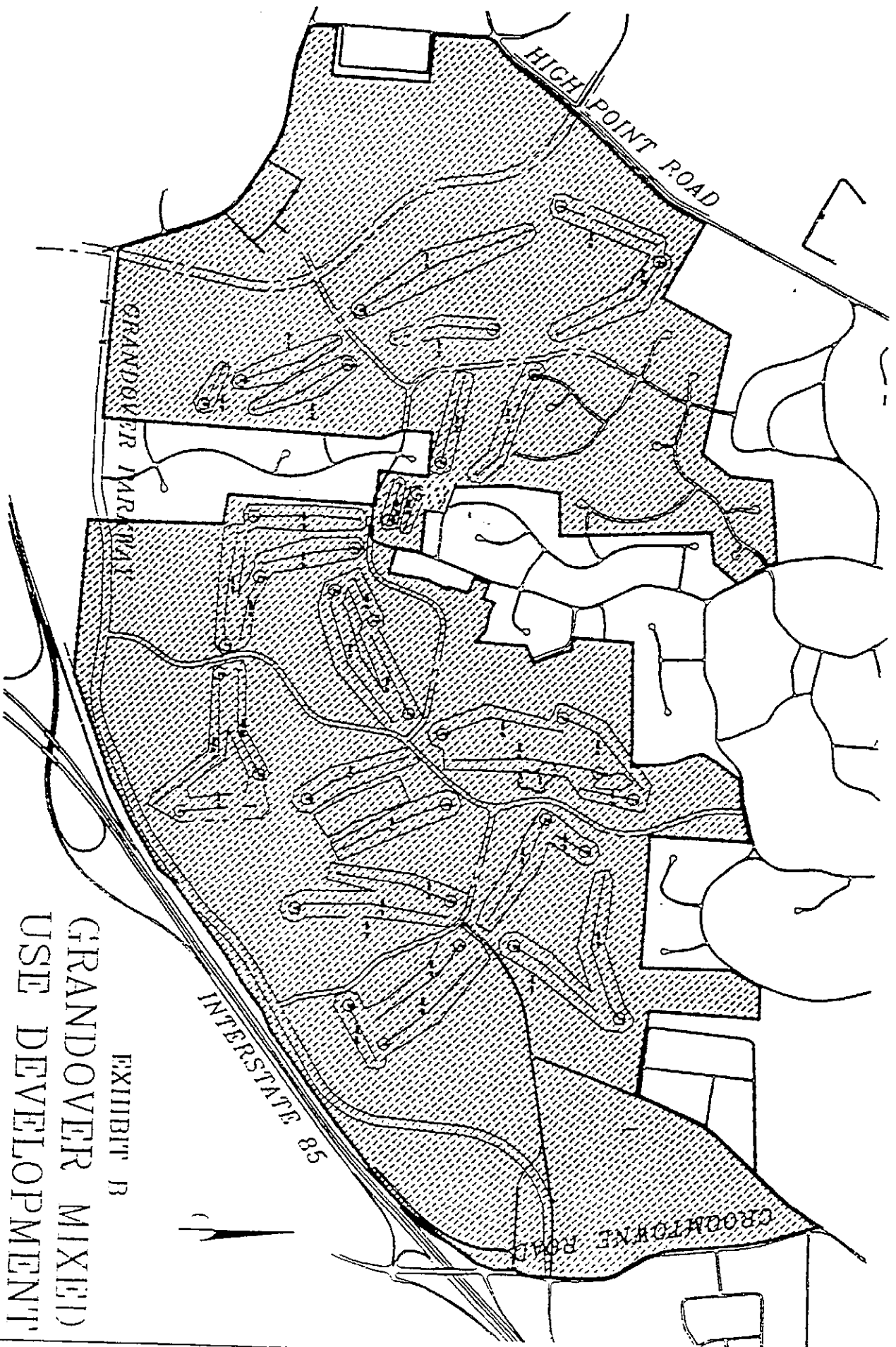


EXHIBIT B
GRANDOVER MIXED
USE DEVELOPMENT

EXHIBIT "C"

Rules of Arbitration

1. Claimant shall submit a Claim to arbitration under these Rules by giving written notice to all other Parties stating plainly and concisely the nature of the Claim, the remedy sought and Claimant's desire to submit the Claim to arbitration ("Arbitration Notice").
2. The Parties shall select arbitrators ("Party Appointed Arbitrators") as follows: all the Claimants shall agree upon one (1) Party Appointed Arbitrator, and all the Respondents shall agree upon one (1) Party Appointed Arbitrator. The Party Appointed Arbitrators shall, by agreement, select one neutral arbitrator ("Neutral") so that the total arbitration panel ("Panel") has three (3) arbitrators.
3. If the Panel is not selected Under Rule 2 within 45 days from the date of the Arbitration Notice, any party may notify the nearest chapter of the Community Associations Institute, for any dispute arising under the Governing Documents, or the American Arbitration Association, or such other independent body providing arbitration services, for any dispute relating to the design or construction of improvements on the Properties, which shall appoint one Neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall thereafter be the sole arbitrator and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.
4. No person may serve as a Neutral in any arbitration under these Rules in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral shall immediately disclose in writing to all Parties any circumstance likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral after receipt of that Neutral's Bias Disclosure, such Neutral shall be replaced in the same manner in which that Neutral was selected.
5. The Appointed Neutral or Neutral, as the case may be ("Arbitrator") shall fix the date, time and place for the hearing. The place of the hearing shall be within the Properties unless otherwise agreed by the Parties.
6. Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings. In the event the Respondent fails to participate in the arbitration proceeding, the Arbitrator may not enter an Award by Default, but shall hear Claimant's case and decide accordingly.
7. All persons who, in the judgment of the Arbitrator, have a direct interest in the arbitration are entitled to attend hearings. The Arbitrator shall determine any relevant legal issues, including whether all indispensable parties are Bound Parties or whether the claim is barred by the statute of limitations.
8. There shall be no stenographic record of the proceedings.
9. The hearing shall be conducted in whatever manner will, in the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties.

C
C
C
C
C

10. If the Arbitrator decides that it has insufficient expertise to determine a relevant issue raised during arbitration, the Arbitrator may retain the services of an independent expert who will assist the Arbitrator in making the necessary determination. The scope of such professional's assistance shall be determined by the Arbitrator in the Arbitrator's discretion. Such independent professional must not have any bias or financial or personal interest in the outcome of the arbitration, and shall immediately notify the Parties of any such bias or interest by delivering a Bias Disclosure to the Parties. If any Party objects to the service of any professional after receipt of a Bias Disclosure, such professional shall be replaced by another independent licensed professional selected by the Arbitrator.

11. No formal discovery shall be conducted in the absence of express written agreement among all the Parties. The only evidence to be presented at the hearing shall be that which is disclosed to all Parties at least 30 days prior to the hearing; provided, however, no Party shall deliberately withhold or refuse to disclose any evidence which is relevant and material to the Claim, and is not otherwise privileged. The Parties may offer such evidence as is relevant and material to the Claim, and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of any evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

12. The Arbitrator shall declare the hearings closed when satisfied the record is complete.

13. There will be no posthearing briefs.

14. The Award shall be rendered immediately following the close of the hearing, if possible, and no later than 14 days from the close of the hearing, unless otherwise agreed by the Parties. The Award shall be in writing, shall be signed by the Arbitrator and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

15. If there is more than one arbitrator, all decisions of the Panel and the Award shall be by majority vote.

16. Each Party agrees to accept as legal delivery of the Award the deposit of a true copy in the mail addressed to that Party or its attorney at the address communicated to the Arbitrator at the hearing.

000169