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BOOK 1393 PAGE 137

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CROASDAILE FARM

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TABLE OF CONTENTS
 OF
 DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
 FOR
 CROASDAILE FARM

<u>ARTICLE</u>		<u>PAGE</u>
ONE	<u>DEFINITIONS</u>	
	SECTION 1.1 Amendment	2
	SECTION 1.2 Area of Common Responsibility	3
	SECTION 1.3 Assessments	3
	SECTION 1.4 Association	3
	SECTION 1.5 Board of Directors or Board	3
	SECTION 1.6 Common Areas	3
	SECTION 1.7 Common Expenses	4
	SECTION 1.8 Community-Wide Standards	4
	SECTION 1.9 Croasdaile Farm Community	4
	SECTION 1.10 Design Review Committee	4
	SECTION 1.11 General Assessments	4
	SECTION 1.12 General Plan of Development	5
	SECTION 1.13 Member	5
	SECTION 1.14 Mortgage	5
	SECTION 1.15 Mortgagee	5
	SECTION 1.16 Mortgagor	5
	SECTION 1.17 Owner	5
	SECTION 1.18 Parcel	6
	SECTION 1.19 Parcel Assessments	6
	SECTION 1.20 Parcel Declaration	7
	SECTION 1.21 Person	7
	SECTION 1.22 Properties	8
	SECTION 1.23 Residential Unit	8
	SECTION 1.24 Special Assessments	8
TWO	<u>PROPERTY RIGHTS</u>	
	SECTION 2.1 Rights in Common Areas, etc.	8
THREE	<u>MEMBERSHIP AND VOTING RIGHTS</u>	
	SECTION 3.1 Membership	9
	SECTION 3.2 Classes of Membership and Voting	10
	(A) Class "A"	10
	(B) Class "B"	12

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<u>ARTICLE</u>		<u>PAGE</u>
FOUR	<u>MAINTENANCE</u>	
	SECTION 4.1 Association's Responsibility	13
	SECTION 4.2 Owner's Responsibility	13
FIVE	<u>NO PARTITION</u>	
	SECTION 5.1 No Partition of Common Areas	14
SIX	<u>ANNEXATION OF ADDITIONAL PROPERTY</u>	
	SECTION 6.1 Annexation of Additional Property	14
	SECTION 6.2 Annexation of Additional Property by Designee(s) of Lone Pine, Inc.	15
	SECTION 6.3 Annexation by Parcel Declaration	16
	SECTION 6.4 Amendments to this Declaration	17
	SECTION 6.5 Notice of Annexation	18
SEVEN	<u>GENERAL PLAN OF DEVELOPMENT</u>	
	SECTION 7.1 Purpose of General Plan of Development.	18
	SECTION 7.2 No Warranty.	19
EIGHT	<u>THE ASSOCIATION</u>	
	SECTION 8.1 Organization	19
	SECTION 8.2 Duties of the Association.	20
	(A) Common Areas	20
	(B) Enforcement.	20
	(C) Operation of Common Areas.	21
	(D) Utilities.	21
	(E) Taxes and Assessments.	21
	(F) Dedication for Public Use.	21
	(G) Insurance.	22
	(H) Rules and Regulations.	22
	SECTION 8.3 Powers and Authority of Association.	22
	(A) Assessment	22
	(B) Easements and Rights-of-Way.	22
	(C) Manager.	23
	(D) Mortgagee Protective Agreement	23
	(E) Right of Entry	23
	(F) Rules and Regulations.	23
	(G) General Authority.	24

<u>ARTICLE</u>		<u>PAGE</u>
NINE	<u>RESTRICTIVE COVENANTS AND LAND USE RESTRICTIONS</u>	
	SECTION 9.1 Land Use	24
TEN	<u>ASSESSMENTS</u>	
	SECTION 10.1 Creation of Assessments.	26
	SECTION 10.2 General Assessments.	26
	SECTION 10.3 Parcel Assessments	27
	SECTION 10.4 Special Assessments.	27
	SECTION 10.5 Personal Obligation for Assessments.	27
	SECTION 10.6 Computation of General and Parcel Assessments.	28
	SECTION 10.7 Capital Budget	29
	SECTION 10.8 Lien for Assessments	30
	SECTION 10.9 Property Not Subject to Assessment	32
	SECTION 10.10 Mortgagee Protection Clause.	32
ELEVEN	<u>PROPERTY RIGHTS</u>	
	SECTION 11.1 Members' Easements of Enjoyment.	32
	SECTION 11.2 Delegation of Use.	33
	SECTION 11.3 Title to Common Areas.	34
	SECTION 11.4 Association Functions.	34
TWELVE	<u>DESIGN REVIEW COMMITTEE</u>	
	SECTION 12.1 Design Review Committee.	34
	SECTION 12.2 Improvements and Alterations	35
	SECTION 12.3 Delegation of Design Review Committee's Duties	36
THIRTEEN	<u>INSURANCE</u>	
	SECTION 13.1 Ownership of Policies.	37
	SECTION 13.2 Property Insurance	37
	SECTION 13.3 Public Liability Insurance	38
	SECTION 13.4 Premiums	38
	SECTION 13.5 Proceeds	38
	SECTION 13.6 Distribution of Insurance Proceeds	39
	(A) Expenses of the Trust.	39
	(B) Reconstruction or Repair	39
	(C) Failure to Reconstruct or Repair	39
	(D) Other Homeowners' Association.	40

<u>ARTICLE</u>		<u>PAGE</u>
FOURTEEN	<u>DAMAGE AND DESTRUCTION</u>	
	SECTION 14.1 Estimating Cost of Repairs	40
	SECTION 14.2 Property to be Repaired or Reconstructed.	40
	SECTION 14.3 Property not to be Repaired or Reconstructed	41
	SECTION 14.4 Insufficient Insurance Proceeds.	41
FIFTEEN	<u>AMENDMENTS</u>	
	SECTION 15.1 Amendment of Declaration	41
	SECTION 15.2 Amendments to Exhibits	42
	SECTION 15.3 Parcel Declaration Amendments.	42
	SECTION 15.4 Restrictive Covenants.	42
SIXTEEN	<u>MISCELLANEOUS</u>	
	SECTION 16.1 Gender	43
	SECTION 16.2 Waiver	43
	SECTION 16.3 Invalidity	43
	SECTION 16.4 Captions	43
	SECTION 16.5 Covenants Running with Land.	43
	SECTION 16.6 Enforcement.	44

EXHIBITS

	<u>Page</u>
Exhibit "A" - Initial Property Subject to Declaration	A-1
Exhibit "B" - General Plan of Development	B-1
Exhibit "C" - Initial Restrictive Covenants	C-1 to C-14
Exhibit "D" - Initial Community-Wide Standards	D-1 to D-20

NORTH CAROLINA
DURHAM COUNTY

BOOK 1393 PAGE 142

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CROASDAILE FARM

THIS DECLARATION of Covenants, Conditions and Restrictions is made and entered into this 3rd day of August, 1987, by CROASDAILE FARM I, LIMITED PARTNERSHIP, a North Carolina limited partnership (hereinafter referred to as "Declarant"), Suite 101, 2726 Croasdaile Drive, Durham, North Carolina 27705.

WITNESSETH:

WHEREAS, the Declarant is the owner of the real property described in Exhibit "A" attached hereto and incorporated herein by reference; and

WHEREAS, the Declarant intends by this Declaration to impose upon the said real property known as Croasdaile Farm, a portion of which is described in Exhibit "A", and such additional real property as may hereafter be annexed and made subject to this Declaration by an appropriate Amendment or Amendments, mutually beneficial covenants, conditions and restrictions for the benefit of all owners of residential property within Croasdaile Farm, by the recording of this Declaration; and

WHEREAS, the Declarant desires to provide a flexible and reasonable procedure for the overall development of the real properties now or hereafter subject to this Declaration and for

the interrelationships of the component residential associations;
and

WHEREAS, the Declarant desires to establish a method for the administration, maintenance, preservation, use and enjoyment of such real properties as are now or may hereafter be subjected to this Declaration;

NOW THEREFORE, the Declarant hereby declares that all the real property described in Exhibit "A" and such additional real property as may be hereafter annexed and made subject to this Declaration, by an appropriate Amendment or Amendments, shall be held, owned, sold and conveyed subject to the following covenants, conditions and restrictions which are for the purpose of protecting the value of said properties and shall be binding upon all parties having any right, title or interest in the said real properties, their heirs, successors and assigns and shall inure to the benefit of each owner thereof.

ARTICLE ONE

DEFINITIONS

SECTION 1.1 "Amendment": shall mean and refer to an instrument recorded in the Office of the Register of Deeds of Durham County, North Carolina, which subjects additional real property to this Declaration. Such Amendment may, but is not required to, impose, expressly or by reference, additional restrictions and obligations on the real property subjected by that Amendment to this Declaration so long as none of the provisions thereof conflict with the provisions of this Declaration. Said Amendment

may, but is not required to, designate separate Parcel status for the real property so annexed, as hereinafter provided. If such Amendment does not create a separate Parcel pursuant to a Parcel Declaration, as hereinafter provided, a separate residential association may not be created.

SECTION 1.2 "Area of Common Responsibility": shall mean and refer to the Common Areas, together with those areas, if any, which by contract with any residential or condominium association or with any apartment building owner or with any commercial establishment or association, within Croasdaile Farm, become the responsibility of the Association.

SECTION 1.3 "Assessments": shall mean the General, Parcel and Special Assessments for the upkeep and maintenance of the Common Areas as set forth in Article Ten.

SECTION 1.4 "Association": shall mean and refer to Croasdaile Farm Master Homeowner Association, Inc., its successors and assigns.

SECTION 1.5 "Board of Directors" or "Board": shall mean the elected body governing the Association as provided by North Carolina corporate law.

SECTION 1.6 "Common Areas": shall mean all real and personal property now or hereafter owned by the Association for the common use and enjoyment of the Owners. The initial Common Areas to be owned by the Association shall be conveyed to the Association by the Declarant, prior to the conveyance of any Residential Unit.

The Common Areas are depicted on the General Plan of Development, as amended, from time to time. The Board of Directors may promulgate reasonable Rules and Regulations, from time to time, conditioning the use of Common Areas and other amenities.

SECTION 1.7 "Common Expenses": shall mean the actual and estimated expenses of operating, managing and maintaining the Association and its real and personal property, both for general and Parcel purposes, including such reserve funds as may be found necessary or desirable by the Board of Directors.

SECTION 1.8 "Community-Wide Standards": shall mean the architectural, landscape, arboreal, vegetative and aesthetic standards of the Croasdaile Farm Community as determined and promulgated by the Design Review Committee, from time to time.

SECTION 1.9 "Croasdaile Farm Community": shall mean the residential community depicted on the General Plan of Development, as amended, from time to time.

SECTION 1.10 "Design Review Committee": shall mean the committee appointed by the Board of Directors, from time to time, to establish Community-Wide Standards for the construction, alteration or improvement of property within the Croasdaile Farm Community.

SECTION 1.11 "General Assessments": shall have the meaning set forth in Article Ten.

SECTION 1.12 "General Plan of Development": shall mean the Land Use Development Plan, as amended, from time to time, of Croasdale Farm prepared by Land Design/Research, Inc., and depicted in Exhibit "B", attached hereto.

SECTION 1.13 "Member": shall mean and refer to a Person who is a Member of the Association. All Owners of Residential Units shall be Members of the Association.

SECTION 1.14 "Mortgage": shall include a deed of trust as well as a mortgage.

SECTION 1.15 "Mortgagee": shall include a beneficiary or holder of a deed of trust, as well as a mortgagee.

SECTION 1.16 "Mortgagor": shall include the trustor of a deed of trust, as well as a mortgagor.

SECTION 1.17 "Owner": shall mean one or more Persons who hold record title to any Residential Unit which is part of the Properties, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Residential Unit is sold under a recorded contract of sale, the purchaser (rather than the fee Owner) will be considered the Owner. For the purpose of this Declaration, the Owner of Residential Units within an apartment building shall be as follows: (A) for the purpose of voting and assessments, the record Owner of the apartment building or buildings; and (B) for the purpose of use and enjoyment of common facilities and

amenities which are part of the Common Areas, the Person residing in the Residential Unit.

SECTION 1.18 "Parcel": shall mean and refer to a separately designated residential area which is made subject to this Declaration by a Parcel Declaration, as hereinafter provided. Such residential areas may be comprised of various types of housing including, but not limited to, condominiums, fee simple townhouses, single family detached housing and patio or zero lot line housing. In the absence of a specific designation of separate Parcel status, all Properties made subject to this Declaration shall be considered a part of the same Parcel; provided, however, that Lone Pine, Inc., its successors and assigns, may from time to time, make additional property subject to the terms and conditions of this Declaration by an appropriate Amendment hereto and may designate that such property shall constitute a separate Parcel or Parcels.

SECTION 1.19 "Parcel Assessments": shall mean assessments for common expenses provided for herein or by any subsequent Amendment hereto which shall be used for the purposes of promoting the recreation, health, safety, welfare, common benefit or enjoyment of the Owners and occupants of the Residential Units against which the specific Parcel Assessment is levied and of maintaining the Common Areas within a given Parcel, all as may be specifically authorized by the Board of Directors, from time to time.

The Parcel Assessments shall be levied equally against Owners of Residential Units in a Parcel for any of the purposes

expressed herein or as may be authorized by the Board of Directors from time to time; provided, however, that Assessments for exterior maintenance of dwellings, for insurance on dwellings, for replacement reserves or for any other expenses which pertain to a particular Residential Unit shall be levied pro rata among the benefited Owners.

SECTION 1.20 "Parcel Declaration": shall mean an instrument which:

- (A) is recorded in the Office of the Register of Deeds of Durham County, North Carolina;
- (B) identifies a designated residential area;
- (C) subjects such residential area, by an appropriate Amendment, to the provisions of this Declaration;
- (D) contains land use restrictions, covenants and conditions applicable to the said designated residential area;
- (E) provides for the maintenance of common areas, if any, within the designated residential area; and
- (F) identifies said separately designated residential area as a separate Parcel in the said Amendment.

In addition, the Parcel Declaration may also authorize the creation of a separate residential association for the designated residential area.

SECTION 1.21 "Person": shall mean a natural person, a corporation, a partnership, a trustee or other legal entity and the heirs, successors and assigns thereof.

SECTION 1.22 "Properties": shall mean and refer to the real property described in Exhibit "A", attached hereto, and to such additional real property as may hereafter be subjected to this Declaration by the Declarant or by Lone Pine, Inc., their successors or assigns by an appropriate Amendment hereto.

SECTION 1.23 "Residential Unit": shall mean the portion of the Properties intended for use and occupancy as a residence and shall include, but not be limited to, condominium units, apartment units, single family detached housing and lots, and patio or zero lot line housing and lots. The term Residential Unit includes a vacant lot. Each lot, as originally platted and recorded in the Office of the Register of Deeds of Durham County, North Carolina, shall always be considered to be a separate Residential Unit regardless of whether the lot is subdivided or whether a dwelling is built upon one or more lots. The term Residential Unit shall not include any commercial space which might be subject to all or part of this Declaration.

SECTION 1.24 "Special Assessments": shall have the meaning set forth in Article Ten.

ARTICLE TWO

PROPERTY RIGHTS

SECTION 2.1 Rights in Common Areas, etc.: Each Owner shall have a right and easement of enjoyment in and to the Common Areas subject, however, to any restrictions or limitations contained herein or in an Amendment which subjects additional real property

to this Declaration. An Owner may delegate his, her or its right of enjoyment in the Common Areas to his or her family, tenants and social invitees subject, however, to such Rules and Regulations regarding such use as may be promulgated by the Board of Directors from time to time.

Certain portions of the Common Areas may be available for limited use by Persons other than the Owner, his or her family or invitees. Such use may include, but is not limited to, walkways, play areas, ponds and permitted league use of ball fields. Such use is expressly authorized subject, however, to such Rules and Regulations as the Board of Directors may adopt from time to time. Such use shall not constitute or authorize general public use of or access to all or any part of the Common Areas.

ARTICLE THREE

MEMBERSHIP AND VOTING RIGHTS

SECTION 3.1 Membership: Every Person who is the record Owner of a fee simple interest or an undivided fee simple interest in a Residential Unit that is subject to this Declaration shall automatically be a Member of the Association. Membership shall be appurtenant to and may not be separated from such ownership. Members agree to be bound by the terms and provisions of this Declaration, the Bylaws of the Association and such Rules and Regulations as shall be promulgated, from time to time, by the Board of Directors. Membership in the Association shall cease upon termination of an Owner's fee simple interest in said real property or upon recordation of a Contract of Sale as provided in

Section 1.17. Provided, however, that a Member shall not include any Person who holds an interest merely as security for the performance of an obligation and the granting of a security interest in a Residential Unit shall not terminate the Owner's membership. No Owner, whether one or more Persons, shall have more than one membership per Residential Unit owned. The rights and privileges of membership, including the right to vote, may be exercised by the Member, but in no event shall more than one (1) vote be cast for each particular Residential Unit. Each dwelling unit in an apartment building shall be considered a separate Residential Unit. Such membership shall be appurtenant to the Residential Unit giving rise to such membership and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to such Residential Unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Residential Unit shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof. Each Member shall be subject to the Bylaws of the Association and any Rules and Regulations of the Association and the provisions of this Declaration, all as may be amended, from time to time.

SECTION 3.2 Classes of Membership and Voting: The Association shall have two (2) classes of membership, Class "A" and Class "B", defined as follows:

(A) Class "A": The Class "A" Members shall be all Owners with the exception of Class "B" Members, if any. Class "A"

Members shall be entitled to one (1) vote for each Residential Unit in which they hold the interest required for membership provided in Section 3.1. There shall be only one (1) vote per Residential Unit. When more than one Person or an entity holds such interest in any Residential Unit, the vote for such Residential Unit shall be exercised by the Person specifically designated in a writing delivered to the Secretary of the Association prior to any Association meeting. The Person designated shall continue to have the right to exercise the vote for such Residential Unit until such time as the said authorization is revoked by the Owners in a writing delivered to the Secretary of the Association. The Board of Directors shall have authority to promulgate Rules and Regulations, from time to time, regarding the format and signatures required to designate the voting Member. Failure to designate the Person who shall exercise the vote for such Residential Unit or an attempt to exercise said vote by more than one person or entity shall result in the automatic suspension of said Residential Unit's vote. This suspension shall continue in effect until the Person designated in a writing delivered to the Association by the Owner(s) is the only Person attempting to exercise the vote.

An Owner of a Residential Unit which is leased may, in the lease or other written instrument, assign the voting right appurtenant to that Residential Unit to the lessee, provided that a signed copy of the lease or other written instrument is delivered to the Secretary of the Association. The lessee shall have this voting right during the time period set forth in the

lease or other written instrument conferring such right, or if no time is set forth therein, then the lessee shall have the right to vote until his lease expires or the Owner revokes such right in a writing delivered to the Secretary of the Association.

(B) Class "B": The Class "B" Member shall be Lone Pine, Inc., its successors and assigns, and it shall originally be entitled to Four Thousand Five Hundred and Seventy Five (4,575) votes. The number of Class "B" votes shall be decreased by one (1) vote for each vote to which the Class "A" Members are entitled at any one time. The Class "B" Member shall be entitled to vote on any matter upon which Class "A" Members may vote. In any event, the Class "B" membership shall terminate and automatically be converted into Class "A" membership upon the happening of the first to occur of the following:

- (1) Twelve o'clock noon, local time, on January 1, 2015; or
- (2) When in its discretion Lone Pine, Inc. or its successor so determines.

From and after the happening of the first to occur of the above events, the Class "B" Member shall be deemed to be a Class "A" Member entitled to one (1) vote for each Residential Unit which it owns. The Association shall advise the Class "A" Members of the happening of the first to occur of the above events.

ARTICLE FOUR

MAINTENANCE

SECTION 4.1 Association's Responsibility: The Association shall maintain and keep the Common Areas in good order and repair. The cost of such maintenance shall be funded out of the assessments provided for in Article Ten, below. This maintenance shall include, but not be limited to, maintenance, repair and replacement of all landscaping, shrubbery, trees, flora, structures and other improvements situated on or about the Common Areas and on or about any planting easements granted to the Association.

The Association may, in the discretion of its Board of Directors, assume the maintenance responsibilities of another homeowner's association (including, but not limited to, condominium associations) provided that those responsibilities are set forth, or referred to, in a recorded Parcel Declaration. In such event, all costs of such maintenance shall be assessed only against those Members residing in the Parcel to which the services are provided.

SECTION 4.2 Owner's Responsibility: Except as provided in this Declaration or any Amendment hereto, all maintenance of Residential Units and all structures and other improvements thereon shall be the sole responsibility of the Owner thereof who shall maintain same in a manner consistent with the Community-Wide Standards of Croasdaile Farm and the applicable covenants affecting the Properties.

ARTICLE FIVE

NO PARTITION

SECTION 5.1 No Partition of Common Areas: There shall be no partition of the Common Areas and no Person acquiring any interest in the Properties or any part thereof shall seek a judicial partition of said Common Areas. This Article shall not prohibit the Association from acquiring or disposing of real or personal property which may or may not be subject to this Declaration.

ARTICLE SIX

ANNEXATION OF ADDITIONAL PROPERTY

SECTION 6.1 Annexation of Additional Property: Lone Pine, Inc., its successors or assigns, shall have and reserves unto itself, the unilateral right, privilege and option, from time to time, to subject to the provisions of this Declaration and to the jurisdiction of the Association any additional real property located in Durham County, North Carolina, which is depicted in the General Plan of Development, as amended from time to time, attached hereto as Exhibit "B", by filing in the Office of the Register of Deeds of Durham County, North Carolina, an Amendment (which may include a Parcel Declaration) which describes the real property to be subjected hereto and which specifically refers to this Declaration. Such Amendment or Amendments may be made without the consent of the Association or its Members or any mortgagees or other lien holders. Any property so annexed and subjected to the terms and conditions of this Declaration shall

not be subject to the Restrictive Covenants set forth in Exhibit "C" unless specifically so adopted and incorporated by reference in an appropriate Amendment. However, the annexed property may be subjected to its own Restrictive Covenants provided that none of the terms thereof conflict with the terms and conditions of this Declaration. All annexed property shall be subject to the Community-Wide Standards (including the Design Review Guidelines contained therein) as amended, from time to time, and the terms and conditions of this Declaration. Any such annexation shall be effective upon the recording of the said Amendment in the Office of the Register of Deeds of Durham County, North Carolina. Lone Pine, Inc., shall have the unilateral right to transfer to any other Person its said right, privilege and option to subject additional real property to this Declaration, provided that such transfer is recorded in the Office of the Register of Deeds of Durham County, North Carolina. Nothing in this Declaration shall be construed to give the Association or the Members any right to approve or disapprove of any such annexation.

SECTION 6.2 Annexation of Additional Property by Designee(s) of Lone Pine, Inc.: Lone Pine, Inc., its successors or assigns, shall have the unilateral right, privilege and option, from time to time, to delegate to any Person all or any portion of its right, privilege and option described in Section 6.1 and elsewhere in this Declaration to subject to the provisions of this Declaration and to the jurisdiction of the Association any additional real property described in Section 6.1, which delegation shall be subject only to such terms, conditions or

limitations, if any, as Lone Pine, Inc., its successors or assigns, deem necessary or desirable. Any action taken by any Person pursuant to any such delegation shall be deemed as fully effective and binding as if taken by Lone Pine, Inc., its successors or assigns.

SECTION 6.3 Annexation by Parcel Declaration: Any group of lots, condominium units or Residential Units, which are subjected to the provisions of this Declaration by an appropriate Amendment, may also be the subject of a separate Parcel Declaration relative to the establishment of additional maintenance areas and Parcel common areas and may also provide for Parcel design review procedures, Parcel assessments, Parcel restrictive covenants, repair and maintenance of improvements within the Parcel, including, without limitation, reconstruction of any damaged or destroyed Parcel improvements, party walls, the establishment of a separate residential homeowner's association for the Parcel and other matters of common concern to the Owners of such Parcel. A Parcel Declaration may also permit the annexation of additional real property to the scheme of such Parcel Declaration. A Parcel Declaration shall be binding upon and affect only lots, condominium units and other Residential Units identified in an instrument recorded in the Office of the Register of Deeds of Durham County, North Carolina, and, then only, to the extent not inconsistent with the provisions of this Declaration. A Parcel Declaration may be amended only in the manner provided for by such Parcel Declaration. A Parcel Declaration and any amendment thereto shall become effective immediately upon its recordation

in the Office of the Register of Deeds of Durham County, North Carolina.

SECTION 6.4 Amendments to this Declaration: Any Amendment to this Declaration, as provided in Section 6.1, may contain such terms and conditions as may be necessary or desirable to reflect the different character, if any, of the real property being annexed or the various housing or community style characteristics and development approaches to which the annexed land or parts thereof may be subjected. The real property subjected to this Declaration may also be the subject of a separate Parcel Declaration so long as none of the provisions thereof conflict with the provisions of this Declaration. All Owners upon recordation of an Amendment shall have a right and non-exclusive easement of enjoyment in and to the Common Areas and an obligation to contribute to the cost of improvement, operation and maintenance of such Common Areas. Any Amendment to this Declaration recorded in accordance with the terms hereof shall be conclusive in favor of all Persons who rely thereon in good faith. From and after the recordation of any Amendment and subject to the terms and provisions of such Amendment, the real property described therein shall be subject to the provisions of this Declaration, the jurisdiction of the Association, the Bylaws of the Association, as amended, from time to time, the Rules and Regulations of the Association, as amended, from time to time, the Corporate Charter of the Association and all other applicable Croasdale Farm documents. Owners of Residential Units in the

annexed real property shall automatically become Members in the Association effective with the annexation.

SECTION 6.5 Notice of Annexation: If Lone Pine, Inc., its successors or assigns, causes additional real property to be annexed to the Croasdaile Farm Community and subjected to the provisions of this Declaration, Lone Pine, Inc. shall advise the Association that it has done so not less than sixty (60) days after the recordation of the Amendment causing such annexation in the Office of the Register of Deeds of Durham County, North Carolina; provided, however, that the failure to notify the Association shall not invalidate or limit the efficacy of the said Amendment or otherwise create any liability for Lone Pine, Inc.

ARTICLE SEVEN

GENERAL PLAN OF DEVELOPMENT

SECTION 7.1 Purpose of General Plan of Development: The General Plan of Development, illustrated by the Land Use Development Plan (Exhibit "B"), is the dynamic design for the development of Croasdaile Farm Community as a planned development and may be modified and amended, from time to time, as provided herein, during the several years required to build the Croasdaile Farm Community. Therefore, because the General Plan of Development is a temporary design, it shall not bind Lone Pine, Inc., to make the additions to the Properties which are shown on the Land Use Development Plan of Croasdaile Farm Community or to improve any portion of such real property in accordance with the General Plan

of Development. Lone Pine, Inc., its successors or assigns, shall have the absolute right and discretion to amend the General Plan of Development in response to changes, including without limitation, to economic, marketing, environmental, technological or social conditions related to the development or marketing of the Properties or to changes in the requirements of government agencies or financial institutions.

SECTION 7.2 No Warranty: The General Plan of Development as amended, from time to time, does not and shall not constitute, nor is it or shall it be construed as a warranty, express or implied, on the part of the Declarant or Lone Pine, Inc., that the Croasdaile Farm Community will be developed in conformity with the said General Plan of Development.

ARTICLE EIGHT

THE ASSOCIATION

SECTION 8.1 Organization: The Association is a corporation organized under the laws of the State of North Carolina and is charged with the duties and vested with the powers conferred upon corporations by law, the powers set forth in the Articles of Incorporation, the Bylaws of the Association, as amended, from time to time, and the rights, powers and obligations set forth in this Declaration. In the event of any inconsistency between and among the Articles of Incorporation of the Association, the Bylaws of the Association and this Declaration, as amended, from time to time, this Declaration shall control, then the Articles

of Incorporation and finally the Bylaws. The officers and directors of the Association shall be required to be either:

- (A) Members of the Association; or
- (B) officers, directors, agents, representatives or employees of the Declarant or Lone Pine, Inc., and their successors in interest.

By accepting a deed for any Common Areas referred to in Section 1.6, which acceptance shall be conclusively evidenced by the recordation of said deed in the Office of the Register of Deeds of Durham County, North Carolina, the Association agrees to be bound by all of the terms, conditions and covenants contained in this Declaration and to assume responsibility for all the duties and obligations imposed upon the Association.

SECTION 8.2 Duties of the Association: The Association shall, in addition to such obligations, duties and functions as are assigned to it by other provisions of this Declaration, have the obligation and duty to do and perform each and every of the following for the benefit of the Owners and for the maintenance, administration and improvement of the Common Areas:

- (A) Common Areas - Accept as part of the Common Areas all real property conveyed to it as such and accept all Owners of annexed Properties as Members of the Association.
- (B) Enforcement - Take such action, whether or not expressly authorized herein or in any other governing instrument, as may be necessary or desirable to enforce the restrictions, limitations, covenants, affirmative

obligations, conditions and other provisions of this Declaration and its Exhibits, both present and future, as well as the other Croasdaile Farm documents.

- (C) Operation of Common Areas - To operate, maintain and otherwise manage or provide for the operation, maintenance and management of the Common Areas, together with all easements for operation and maintenance purposes for the benefit of the Association or its Members. To keep all improvements of whatever kind and for whatever purpose located in or upon the Common Areas in good order, condition and repair.
- (D) Utilities - To acquire, provide and pay for water, sewer, garbage disposal, electrical, telephone, gas and other necessary utility services for the Common Areas.
- (E) Taxes and Assessments - To pay all real and personal property taxes and assessments separately levied upon or assessed against the Association or any property owned by the Association.
- (F) Dedication for Public Use: Upon being directed in writing by Lone Pine, Inc., or its successors to do so, promptly to dedicate such streets and roads and such water, sewer, electrical, telephone and other utility lines or facilities and to grant appropriate easements as may be specified by Lone Pine, Inc., or its successors, to such public authorities, utility companies or similar agencies or bodies as may be designated by Lone Pine, Inc., or its successors, prior to January 1, 2015.

(G) Insurance - To obtain and maintain insurance as provided for by either this Declaration, the Bylaws or any Parcel Declaration, as appropriate.

(H) Rules and Regulations - To make, promulgate, amend and repeal, from time to time, Rules and Regulations of the Association.

SECTION 8.3 Powers and Authority of Association: The Association shall have all of the powers conferred by law upon corporations organized under the laws of the State of North Carolina, subject only to such limitations as may be set forth in its Articles of Incorporation, the Bylaws or this Declaration. In addition, the Association shall have any power incidental to the exercise of any of the express powers conferred upon it including, but not limited to, the following:

(A) Assessment - To assess the Owners and to enforce payment of such Assessments.

(B) Easements and Rights-of-Way - To grant and convey to any third party easements and rights-of-way in, on, over or under the Common Areas for the purposes of constructing, operating or maintaining thereon, therein or thereunder:

(1) underground or overhead lines, cables, wires or other devices for the transmission of electricity and for lighting, heating, power, telephone, cablevision and other appropriate purposes and (2) public sewers, storm water drains, water systems, gas lines or any similar public or quasi-public improvements or facilities.

- (C) Manager - To employ the services of any Person as Manager, together with employees, to manage and conduct the business of the Association and to enter into contracts for such purposes. The Manager and employees shall have a right of ingress and egress over such portions of the Common Areas and of the Properties as is necessary or desirable in performing their duties.
- (D) Mortgagee Protective Agreement - Subject to such limitations, if any, as may be contained in an individual Parcel Declaration insofar as applicable to the real property subject to such Parcel Declaration, to execute and cause to be recorded, from time to time, agreements in favor of holders or insurers of mortgages secured by portions of the Common Areas or the Properties. Such agreements may condition specified action relevant to this Declaration or the activities of the Association upon approval by a specified group or number of such mortgage holders or insurers.
- (E) Right of Entry - Without liability to any Owner, to cause its agents, independent contractors and employees, after reasonable notice to the Owner, to enter in or upon the Properties for the purpose of enforcing the provisions of this Declaration or any other restrictions or covenants affecting the Properties.
- (F) Rules and Regulations - The Association, through its Board of Directors, may make and enforce reasonable Rules and Regulations governing the use of the Common Areas, which Rules and Regulations shall be consistent

with the rights and duties established by this Declaration. Sanctions for violations of the Rules and Regulations may include reasonable monetary fines and suspension of the right to vote and of the right to use the Common Areas. The Association shall also have the power and authority to bring an action in any court to enforce any restrictions, covenants or conditions affecting the Common Areas or the Properties. Imposition of sanctions shall be as provided in the Bylaws.

- (G) General Authority - To take any other action deemed necessary or desirable by the Association to implement the intent and purposes of this Declaration and for the benefit of the Association and its Members.

ARTICLE NINE

RESTRICTIVE COVENANTS AND LAND USE RESTRICTIONS

SECTION 9.1 Land Use: The Properties, other than the Common Areas, shall be used only for residential and related purposes as may be more particularly set forth in this Declaration, Amendments hereto and any subsequently recorded instruments which create residential associations subject to this Declaration. Any property annexed and subjected to the terms of this Declaration shall not be subject to the Restrictive Covenants set forth in Exhibit "C" unless specifically so adopted and incorporated by reference in an appropriate Amendment.

The restrictive covenants constituting the initial restrictions and standards affecting Lots 1 through 58 of Section "A" of Phase One of Croasdaile Farm are attached hereto as Exhibit "C". These restrictive covenants are independently amendable in accordance with Exhibit "C" and any amendments thereto shall not constitute nor require an amendment to this Declaration. The covenants, conditions and restrictions contained in this Declaration, as amended, and any restrictive covenants affecting the Properties, as amended, shall be a covenant running with the land. Any real property which may be subjected to this Declaration in the future may have separate and independent restrictive covenants and conditions which apply solely to the real property annexed hereto so long as none of the provisions thereof conflict with the provisions of this Declaration. In the event of a conflict between the language contained in the restrictive covenants affecting any portion of the Properties and the language contained in this Declaration, the terms and conditions of the Declaration control. Such restrictive covenants must be set forth in a separate writing which identifies the particular real property affected thereby and be recorded in the Office of the Register of Deeds of Durham County, North Carolina. Such restrictive covenants shall be separately amendable in accordance with their terms and no amendment thereto shall be considered to be an amendment to this Declaration.

ARTICLE TEN

ASSESSMENTS

SECTION 10.1 Creation of Assessments: The Declarant, for the Properties and all portions thereof, including any additional real property annexed to the Properties and subjected to the provisions of this Declaration hereby covenants, and each Owner of any portion of the Properties by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, (or by the acquisition of title to any of the Properties by any other means) is deemed to covenant and agree that for each Residential Unit owned, the Owner shall pay to the Association such Assessments for the upkeep, maintenance and expenses of the Common Areas, insurance costs and operating expenses of the Association as shall be determined by the Board of Directors from time to time. There shall be three kinds of Assessments, namely:

- (A) General Assessments;
- (B) Parcel Assessments; and
- (C) Special Assessments.

SECTION 10.2 General Assessments: General Assessments levied by the Association each year shall be used for the improvement, operation and maintenance of the Association property and to promote the recreation, safety and welfare of the Members. These assessments shall be adequate to finance the operation and activities of the Association, to maintain the Common Areas and to maintain adequate repair and replacement reserves. General Assessments shall be allocated equally among all Residential Units subject to this Declaration. Each apartment in a multi-

family structure shall be considered a separate Residential Unit for purposes of assessing the Owner of the land upon which the multi-family structure is built.

SECTION 10.3 Parcel Assessments: Parcel Assessments, as defined in Section 1.19, may be assessed by the Association against the Owners of Residential Units in a Parcel and shall be used exclusively for the benefit of such Owners for the operation and maintenance of common areas within the Parcel, for the payment of expenses incurred by the Association insofar as they are related to the Parcel and for such other purposes as shall be authorized by the applicable Parcel Declaration. Parcel Assessments shall be in addition to General Assessments.

SECTION 10.4 Special Assessments: In addition to General and Parcel Assessments, the Association may levy a Special Assessment or Assessments during any fiscal year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Areas, including the necessary fixtures and personal property related thereto or for any other matter deemed necessary or desirable by the Board of Directors. A Special Assessment must be approved in the manner provided in the Bylaws of the Association.

SECTION 10.5 Personal Obligation for Assessments: Each of the aforementioned Assessments, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the Person or Persons who was (were) the Owner(s) of such

Residential Unit at the time the Assessment was levied. In addition, the grantee or transferee of any such Owner shall be jointly and severally liable with the Owner for such portion of any Assessment as was due and payable at the time the grantee or transferee acquired title in or to the Residential Unit; provided, however, that no first mortgagee who obtains title to a Residential Unit pursuant to the remedies provided in his mortgage shall be liable for unpaid Assessments which accrued prior to the said mortgagee's acquisition of title. If two or more Owners subdivide a lot that lies between them, each such Owner shall be jointly and severally liable for any and all Assessments levied against such lot. The subdivided lot shall continue to be a Residential Unit for all purposes. Assessments shall be paid in such manner and on such dates as may be determined by the Board of Directors, from time to time. The Board of Directors shall also have authority to accelerate the balance owed on any Assessment if an Owner is delinquent in making the required payments.

SECTION 10.6 Computation of General and Parcel Assessments: It shall be the duty of the Board of Directors, at least thirty (30) days prior to the Association meeting at which the budget shall be presented to the membership, to prepare an operating budget covering the estimated costs of operating the Association during the coming year. The budget may establish a reserve fund or funds in accordance with a separately prepared capital budget and shall also separately list general and Parcel expenses, if any. The Board of Directors shall cause a copy of the proposed budget

and the amount of the General and Parcel Assessments to be levied against each Residential Unit for the following year to be delivered to each Owner at least fifteen (15) days prior to the Association meeting called for the purpose of approving the budget. The said budget and the said Assessments shall become effective unless disapproved by the vote of at least fifty-one percent (51%) of the vote of all then existing classes of Members of the Association at a meeting of the Members called for that purpose.

In the event the Members disapprove the proposed budget or the Board of Directors should fail, for any reason, to prepare and submit a budget for the succeeding year, then, and until such time as a budget shall have been determined as provided herein, the budget in effect for the then current year shall continue in force. In addition, the prior year's Assessment shall remain in force until a new budget is approved.

SECTION 10.7 Capital Budget: The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset and the expected repair or replacement cost of same during the succeeding fiscal year. The Board of Directors shall establish the amount sufficient to permit the Association to satisfy its projected capital needs, as presented in the capital budget. The amount so determined by the Board of Directors shall be included within the budget and Assessments as provided in this Article Ten. A copy of the capital budget shall be distributed to each Member in the same manner as the operating budget.

SECTION 10.8 Lien for Assessments: If an Assessment, of any kind, is not paid within sixty (60) days of the due date established by the Board of Directors, the said Assessment shall be delinquent and subject to an interest charge at the maximum interest rate permitted by law. The interest shall be computed from the due date of the payment until the delinquent payment or payments are paid in full. Any Assessment remaining unpaid for more than sixty (60) days, together with interest, costs of collection thereof and reasonable attorney's fees shall constitute a lien upon the delinquent Residential Unit when filed of record in the Office of the Clerk of Superior Court of Durham County, North Carolina, in the manner provided in the General Statutes of North Carolina, as amended. This lien may be enforced by the Association in the manner provided by law. The Association shall have the power to bid for and acquire title to a Residential Unit at a foreclosure sale and may then hold, lease, mortgage and convey the same. If the Association acquires title to a Residential Unit under this Section 10.8 then:

- (A) no right to vote shall be exercised on its behalf;
- (B) no Assessments shall be levied against such Residential Unit; and
- (C) each other Residential Unit shall be charged, in addition to its usual Assessment, its pro rata share of the Assessment that would have been charged said Residential Unit if it had not been acquired by the Association in a foreclosure sale.

Suit to recover a money judgement for unpaid Assessments and attorney's fees shall be maintainable without foreclosing or waiving the lien securing same. Any Owner who is delinquent in paying an Assessment may have his voting rights suspended until such time as the said Owner is no longer delinquent. The lien for Assessments provided for herein shall not be subordinate to the lien of any Mortgage except the lien of a first Mortgage given and made in good faith and for value that is of record as an encumbrance against said Residential Unit prior to the recordation of a claim of lien for Assessments as provided for herein. The sale, conveyance or other transfer of a Residential Unit shall not affect the lien for Assessments provided for herein nor shall such sale, conveyance or other transfer diminish or defeat the personal obligation of the Owner for delinquent Assessments as provided in this Article Ten. However, a sale or transfer of a Residential Unit pursuant to a foreclosure, or other judicial sale or proceeding in lieu of foreclosure, of a first Mortgage shall extinguish the lien for Assessments against said Residential Unit which arose prior to the time of said foreclosure sale or transfer. Liens on account of Assessments which become due after such sale or transfer shall attach, be created, become effective and be foreclosed in accordance with the terms of this Article Ten and the General Statutes of North Carolina.

SECTION 10.9 Property Not Subject to Assessment: The following real property subject to this Declaration shall be exempt from the Assessments created herein:

- (A) Portions of the Properties dedicated to any public authority or agency; and
- (B) Common Areas.

SECTION 10.10 Mortgagee Protection Clause: No breach of the covenants, conditions or restrictions herein contained nor the enforcement of any lien provisions herein shall defeat the lien of any first Mortgage made in good faith and for value; provided, however, said first Mortgage was recorded in the Office of the Register of Deeds of Durham County, North Carolina, prior to the recording in said Office of a claim of lien for Assessments by the Association. However, all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner, his heirs, successors and assigns whose title is derived through foreclosure or other judicial sale or conveyance in lieu of foreclosure of any said first Mortgage.

ARTICLE ELEVEN

PROPERTY RIGHTS

SECTION 11.1 Members' Easements of Enjoyment: Every Member shall as Owner of one or more Residential Units have a right and non-exclusive easement of use and enjoyment in and to the Common Areas. Such right and easement shall be appurtenant to and shall

pass with the title to every Residential Unit subject to the following limitations:

- (A) The right of the Board of Directors to limit the number of guests and to promulgate Rules and Regulations, from time to time, regulating the use and enjoyment of the Common Areas;
- (B) The right of the Board of Directors to suspend the voting rights and right to use the Common Areas by a member: (1) for any period during which any Assessment against a Member's Residential Unit is delinquent, and (2) for a period not to exceed thirty (30) days, after such notice and hearing as may be provided for in the Bylaws of the Association, for any infraction of the Rules and Regulations promulgated by the Board of Directors, from time to time,
- (C) The right of the Board of Directors to authorize the Association to dedicate or transfer any portion of the Common Areas to any public agency, authority or utility for the purpose of providing utilities and similar or related services, and
- (D) The right of the Association to charge a reasonable fee for the use of any recreational facility situated upon the Common Areas.

SECTION 11.2 Delegation of Use: The Owner of any Residential Unit may delegate to any occupant thereof the right to the use and enjoyment of the Common Areas and any privilege appurtenant to such Residential Unit subject, however, to the Rules and

Regulations promulgated by the Board of Directors, from time to time.

SECTION 11.3 Title to Common Areas: The Declarant and Lone Pine, Inc., covenant for themselves and their successors in interest that the Common Areas depicted on the General Plan of Development, as amended, from time to time, will be conveyed to the Association in fee simple free of all liens other than easements of record and current year's taxes, if any. The said Common Areas will be conveyed to the Association on a piecemeal basis as the Croasdaile Farm Community is developed in accordance with the said General Plan of Development, as amended, from time to time, and as the land depicted thereon is annexed to and subjected to the terms of this Declaration by an appropriate Amendment.

SECTION 11.4 Association Functions: There is hereby reserved to the Declarant, Lone Pine, Inc., and the Association, or their duly authorized agents, representatives and managers such easements as are necessary or desirable to perform the duties and obligations of the Association as are set forth in this Declaration, the Bylaws of the Association and other Croasdaile Farm documents.

ARTICLE TWELVE

DESIGN REVIEW COMMITTEE

SECTION 12.1 Design Review Committee: The Board of Directors shall appoint a Design Review Committee (hereinafter sometimes

referred to as "DRC") each year consisting of not less than three Persons, none of whom need be a Member of the Association. The DRC shall establish and promulgate, from time to time, the Community-Wide Standards for construction or alteration of Residential Units, landscaping, arboreal and vegetative requirements of Croasdaile Farm Community. The said Community-Wide Standards shall be made available by the Association to Owners, builders and developers who seek to engage in development of or construction upon the Common Areas or the Properties and they shall conduct their operations in accordance with this Article Twelve and the said Standards. The initial Community-Wide Standards are set forth in Exhibit "D" attached hereto and are independently amendable by the DRC, from time to time, in accordance with the terms of Exhibit "D" and any amendments thereto shall not constitute nor require an amendment to this Declaration. An amendment to the Community-Wide Standards shall be effective upon adoption by the DRC and need not be recorded in the Office of the Register of Deeds of Durham County, North Carolina. The DRC shall be subject to the jurisdiction and authority of the Board of Directors.

SECTION 12.2 Improvements and Alterations: Unless and until a plan of construction is approved by the DRC in writing, no structure or appurtenance thereto, whether of a temporary or a permanent nature and whether or not affixed to the ground, shall be commenced, erected, installed, added or permitted to remain on the Common Areas or the Properties. The plans for any grading

