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FOR

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INNISFREE

RUTH C. GARRETT
REGISTER OF DEEDS
DURHAM COUNTY, NC

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is entered into this the 31st day of December, 1984, between CEDAR BROOK, LTD., a North Carolina limited partnership (hereinafter called "Declarant") and all parties hereafter acquiring any of the described property.

W I T N E S S E T H:

WHEREAS, Declarant is the owner of all lots within a subdivision known as Innisfree in the County Durham, State of North Carolina;

WHEREAS, it is in the best interest of the Declarant and to the benefit, interest and advantage of every party hereafter acquiring any of the described property that certain covenants, conditions, easements, assessments, liens and restrictions governing and regulating the use and occupancy of the property be established; and

WHEREAS, Declarant desires to provide for the preservation of the values and amenities and the desirability and attractiveness of the property in Innisfree; and for the continued maintenance and operation of such recreational and common areas.

NOW, THEREFORE, in consideration of the premises, the Declarant agrees with all parties hereafter acquiring any of the property hereinafter described, that it shall be and is hereby subject to the following restrictions, covenants, conditions, easements, assessments and liens relating to the use and occupancy thereof, which shall be construed as covenants running with the land which shall be binding on all parties acquiring any right, title or interest in any of the properties and which shall inure to the benefit of each owner thereof.

ARTICLE I

PROPERTIES SUBJECT TO THIS DECLARATION

Section One. The property which shall be held, transferred, sold, conveyed and occupied subject to this Declaration

is located in Durham County, North Carolina, as more particularly described on Exhibit A attached hereto and incorporated herein by reference. Phase I is the first of a series of nine phases which the Declarant proposes to create, each of which will be located within said property described on Exhibit B. The Declarant hereby subjects the property, more particularly described on Exhibit A attached hereto and incorporated herein by reference, to this Declaration and the jurisdiction of the Association.

Section Two. Declarant may convey from time to time all of the property within any one of the nine phases within the boundaries of the property described on Exhibit B to a construction contractor for the purpose of erecting townhouses within the phase so conveyed. The construction contractor, as soon as is practical, shall commence construction of the townhouses and cause a survey reflecting the precise location of said townhouses to be recorded in Durham County Registry. The construction contractor shall, prior to conveyance of any lot within such phase, convey to Owners of Innisfree, Inc., all of the common areas within such phase, free and clear of any lien except those specifically permitted under the terms of this Declaration.

Section Three. The Declarant hereby reserves the right to subject other real property to the Restrictions in order to extend the scheme of this Declaration to other property to be developed and thereby to bring such additional properties within the jurisdiction of the Association. Each additional parcel or tract of land, with the improvements thereon or to be placed thereon, which is subjected to this Declaration shall be designated consecutively as "Innisfree, Phase II"; and such similar designation for each phase.

ARTICLE II

DEFINITIONS

Section One. "Association" shall mean and refer to Owners of Innisfree, Inc., its successors and assigns.

Section Two. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee

simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having any interest merely as security for the performance of an obligation.

Section Three. "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section Four. "Common Area(s)" shall mean all property owned by the Association, or such other property which the Association may hold subject to the provisions of the Declaration. Common Areas shall be defined and bounded on the plat(s) of each phase of Innisfree and amendments thereof and designated thereon as "Common Areas" or "Common Open Space". Common Areas in each phase shall be conveyed to the Association free and clear of encumbrances prior to deeding the first Lot in the phase.

Section Five. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area and shall include all improvements thereon.

Section Six. "Declarant" shall mean and refer to Cedar Brook, Ltd., its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

ARTICLE III

PROPERTY RIGHTS

Section One. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) the right of the Association to suspend the voting rights and right of use of the recreational facilities by an Owner for any period during which any

assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed by the Members. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of Members agreeing to such dedication or transfer has been recorded;

(d) the right of the Association to limit the number of guests of Members;

(e) the right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property, and the rights of such mortgagee in said Properties shall be subordinate to the rights of the homeowners hereunder;

(f) the right of the Association to adopt, publish and enforce rules and regulations as provided in Article XI.

Section Two. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

Section Three. Title to the Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the Common Area to the Association, free and clear of all encumbrances and liens, prior to the conveyance of the first Lot of any phase, except utility and storm drainage easements.

Section Four. Parking Rights. Ownership of each Lot shall entitle the Owner of Owners thereof to the use of not more than two (2) automobile parking spaces, which shall be as near and convenient to said Lot as reasonably possible, together with

the right of ingress and egress in and upon said parking areas. The Association may regulate the parking of boats, trailers and other such items on the Common Area. No boats or trailers owned or leased by any Owner, tenant, family or guest of Owner shall be parked within the right-of-way of any private road in Innis-free.

Section Five. TV Antennas and Cablevision. The Association may provide one or more central television antennas for the convenience of the Members and may supply cablevision and the cost of these may be included in annual or special assessments. The Association may regulate or prohibit the erection of television antennas on individual Lots.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

Section One. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section Two. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B Member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (a) when the total votes outstanding in Class A membership equal the total votes

outstanding in Class B membership, but provided that the Class B membership shall be reinstated if thereafter and before the time stated in subparagraph (b) below, additional lands are annexed to the Properties without the assent of Class A Members on account of the development of such additional lands by the Declarant, as provided for in Article VIII, Section Two, below; or (b) on January 1, 1995.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section One. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section Two. Purpose of Assessment. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents of the Properties and in particular for the acquisition, improvement and maintenance of Common Areas, including the maintenance, repair and reconstruction of private streets, driveways, walks

and parking areas situated on the Common Area, such maintenance to include the cutting and removal of weeds and grass, the removal of trash and rubbish or any other maintenance and for the exterior maintenance of the residences situated upon the Properties as hereinafter provided or for the use and enjoyment of the Common Area, including, but not limited to, the cost of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes and public assessments assessed against the Common Area, the procurement and maintenance of insurance in accordance with this Declaration, the employment of attorneys to represent the Association when necessary, the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, roofs, paving and any other major expense for which the Association is responsible, and such other needs as may arise.

Section Three. Reserves. The Association shall establish and maintain an adequate fund for the periodic maintenance, repair and replacement of improvements to the common areas and those other portions of the Properties which the Association may be obligated to maintain. Such reserve fund is to be established out of regular assessments for common expense.

Section Four. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be One Thousand Three Hundred Twenty and No/100 Dollars (\$1,320.00) per Lot.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased effective January 1 each year without a vote of membership by up to ten percent (10%) of the previous year's assessment.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the increase permitted in Section Four(a) above

by a vote of two-thirds (2/3) of each class of Members who are voting in person or by proxy, at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section Five. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, and in connection with exterior maintenance, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose.

Section Six. Notice and Quorum for Any Action Authorized Under Sections Four and Five. Written notice of any meeting called for the purpose of taking any action authorized under Sections Four or Five shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2)

of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section Seven. Uniform Rate of Assessment. Both annual and special assessments shall, except as herein otherwise specifically provided, be fixed at a uniform rate for all Lots and shall be collected on a monthly basis. Provided, however, that the assessment for Lots owned by Declarant which are not occupied as a residence may be a lesser amount as fixed by the Board of Directors of the Association, but shall not be less than twenty-five percent (25%) of the regular assessments for other Lots.

Section Eight. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall commence as to all Lots within a phase on the first day of the month following the conveyance of the Common Area. Such annual assessments shall be paid ratably on a monthly basis. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section Nine. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid thirty (30) days after the due date shall bear interest from the due date at the highest rate permitted by law on the date the assessment became due. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property and in either event interest, costs and reasonable attorney's fees of any such action shall be added to the assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section Ten. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage and ad valorem taxes. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage or tax foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section Eleven. Exempt Property. All Properties dedicated to, and accepted by, a local public authority and all Properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section Twelve. Working Capital Fund. At the time of closing of the sale of each unit, a sum equal to at least two months' assessment for each unit shall be collected and transferred to the Association to be held as a working capital fund. The purpose of said fund is to insure that the Association Board will have adequate cash available to meet unforeseen expenses, and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund shall not be considered advance payment of regular assessments.

ARTICLE VI

EXTERIOR MAINTENANCE

In addition to maintenance of the Common Area, the Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder, as follows: paint and/or stain the exterior of the townhouses, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks, mailboxes, fences installed by Declarant or the Association, exterior post lights (excluding

electricity therefor), and other exterior improvements. Such exterior maintenance shall not include glass surfaces. Further, the Owner of any Lot may, at his election, plant trees, shrubs, flowers and grass in his rear yard and may also maintain portions or all of his rear yard provided that such maintenance by the Owner does not hinder the Association in performing its maintenance of the exterior of the house and the remaining yard spaces. No such maintenance by a Lot Owner shall reduce the assessment payable by him to the Association. If, in the opinion of the Association, any such Owner fails to maintain his rear yard in a neat and orderly manner, the Association may undertake any required maintenance and add the cost thereof to the assessment against such Owner's Lot. The Owner shall not plant any vegetation in the front yard except with the prior written approval of the Association.

(As a matter of information to future Members of the Association, the developers wish to make it known that due to differing amounts of exposure to the elements and other factors, some dwellings may require more maintenance than others and that it is in the best interest of the entire Association that all units be properly maintained and that the Association shall be required to provide such maintenance provided for herein and make a uniform rate of charge without regard to the actual cost of maintenance of each dwelling.)

In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his family, or guests, or invitees, the cost of such maintenance or repairs shall be added to and become a part of the assessment to which such Lot is subject. The Association is hereby granted an easement right of access to go upon any Lot for performance of repairs or maintenance, the responsibility of which is the Association's hereunder.

ARTICLE VII

PARTY WALLS

Section One. General Rules of Law to Apply. Each wall which is built as a part of the original construction of

the homes upon the Properties and placed on the dividing line between the Lots and all reconstruction or extension of such walls shall constitute party walls, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls, lateral support in below-ground construction and of liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section Two. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section Three. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use, without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section Four. Easement and Right of Entry for Repair, Maintenance and Reconstruction. Every Owner shall have an easement and right of entry upon the Lot of another Owner to the extent necessary to perform repair, maintenance or reconstruction of a party wall. Such repair, maintenance or reconstruction shall be done expeditiously. Upon completion of such construction, such Owner shall restore the adjoining Lot to as near the same condition which prevailed on it before the commencement of such construction as is reasonably practicable.

Section Five. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section Six. Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner

under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section Seven. Certification by Adjoining Property Owner that no Contribution is Due. If any Owner desires to sell his property he may, in order to assure a prospective purchaser that no adjoining property Owner has a right of contribution as provided in this Article VII, request of the adjoining property Owner or property Owners a certificate that no contribution exists, whereupon it shall be the duty of each adjoining property Owner to make such certification immediately upon request, without charge; provided, however, that where the adjoining property Owner claims a right of contribution, the certification shall contain a recital of the amount claimed.

Section Eight. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, such dispute shall be settled by arbitration as provided by the laws of North Carolina relating to arbitration as then existing.

ARTICLE VIII

ARCHITECTURAL CONTROL

No building, fence, signs, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE IX

ANNEXATION OF ADDITIONAL PROPERTIES

Section One. Annexation of additional property, except as provided in Section Two of this Article IX, shall require the assent of two-thirds (2/3) of the Class A membership and two-thirds (2/3) of the Class B membership, if any, at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. The presence of Members or of proxies entitled to cast sixty percent (60%) of the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called subject to the notice requirement set forth above and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. In the event that two-thirds (2/3) of the Class A membership or two-thirds (2/3) of the Class B membership are not present in person or by proxy, Members not present may give their written assent to the action taken thereat.

Section Two. If, within seven (7) years of the date of incorporation of this Association, the Declarant should develop additional land within the property described in Exhibit B as hereinabove provided in Article I, such land may be annexed by the Declarant in the manner provided in Article I without the consent of Members, provided that the Federal Housing Administration and the Veterans Administration determine that the annexation is in accord with the general plan heretofore provided by them.

Section Three. Annexation of additional Properties shall be accomplished by recording in the County Registry a Declaration of Annexation, duly executed by the Declarant, if the Declarant has the right to annex pursuant to Section Two above (and by the Association if pursuant to Section One above).

describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions of this Declaration. The additional lands shall be deemed annexed to the Properties on the date of recordation of the Declaration of Annexation, and in the case of an annexation by the Declarant, no action or consent on the part of the Association or any other person or entity shall be necessary to accomplish the annexation except the City of Durham, if required by its ordinances.

Section Four. Subsequent to recordation of the Declaration of Annexation by the Declarant, the Declarant shall deliver to the Association one or more deeds conveying any Common Area within the lands annexed as such Common Area is developed.

ARTICLE X

INSURANCE

Section One. Insurance coverage on the Property shall be governed by the following provisions:

(a) Ownership of Policies. All insurance policies upon the Properties shall be purchased by the Association for the benefit of all the Association and the Owners and their mortgagees as their interest may appear, and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of Owners. Owners may, at their option, obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expense and such other coverage as they may desire.

(b) Coverage. All buildings and improvements upon the land and all personal property included in the Common Areas and facilities shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:

(i) Loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and

(ii) Such other risks as from time to time shall be customarily covered with respect to building on the land.

(iii) Such policies shall contain clauses providing for waiver of subrogation.

(c) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to a single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary.

(d) Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association and charged to the Owners as an assessment according to the provisions of Article V above; provided that premiums on account of hazard insurance coverage for individual Lots shall be apportioned to the individual Owners according to the amounts of the coverage required.

(e) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners and their mortgagees as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustees under this Declaration. The sole duty of the Association as insurance trustees shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein or stated in the By-Laws and for the benefit of the Owners and their mortgagees in the following shares:

(i) Proceeds on account of damage to Common Areas and facilities held for the Association.

(ii) Proceeds on account of damage to any lot or building thereon shall be held in undivided shares for the Owners of damaged Lots in proportion to the cost of repairing the damage suffered by each Owner, which cost shall be determined by the Association.

(iii) In the event a mortgagee endorsement has been issued for any Lot, the share of the Owner shall be held in trust for the mortgagee and the Owner, as their interests may appear.

Section Two. Distribution of Insurance Proceeds.

Proceeds of insurance policies received by the Association as insurance trustee shall be distributed to or for the benefit of the beneficial Owners in the following manner:

(a) Expense of the Trust. All expenses of the insurance trustees shall be first paid or provisions made therefor.

(b) Reconstruction or Repair. The remaining proceeds shall be paid to defray the cost of repairs. Any proceeds remaining after defraying such cost shall be distributed to the beneficial Owners as above provided.

Section Three. Fidelity Insurance or Bond. All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association or those held in trust shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments plus reserves accumulated.

ARTICLE XI

USE RESTRICTIONS

Section One. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate,

publish and enforce reasonable rules and regulations concerning the use and enjoyment of the front yard space of each Lot and the Common Areas. Such rules and regulations may provide for imposition of fines or penalties for the violation thereof, or for the violation of any of the covenants and conditions contained in this Declaration.

Section Two. Use of Properties. No portion of the Properties (except for temporary office of the Declarant and/or model townhouses used by Declarant) shall be used except for residential purposes and for purposes incidental or accessory thereto.

Section Three. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Properties, nor shall anything be done which may be or may become a nuisance or annoyance to the neighborhood.

Section Four. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained, provided that they are not kept or maintained for commercial purposes.

Section Five. Dwelling Specifications. No dwelling shall be constructed or permitted to remain on any Lot having an area of the main structure, exclusive of garages, open porches and decks, of less than 1,000 square feet for any dwelling.

ARTICLE XII

EASEMENTS

All of the Properties, including Lots and Common Areas, shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines and other public utilities as shall be established by the Declarant or by its predecessors in title, prior to the subjecting of the Properties to this Declaration; and the Association shall have the power and authority to grant and establish upon, over, under and across the Common Areas conveyed to it, such further easements as are requisite for the convenient use and enjoyment

of the Properties. In addition, there is hereby reserved in the Declarant and its agents and employees an easement and right of ingress, egress and regress across all Common Areas, now or hereafter owned by the Association, for the purpose of construction of improvements within the Properties.

All Lots shall be subject to easements for the encroachment of initial improvements constructed on adjacent Lots by the Declarant to the extent that such initial improvements actually encroach including, but not limited to, such items as overhanging eaves, gutters and downspouts and walls.

ARTICLE XIII

GENERAL PROVISIONS

Section One. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section Two. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section Three. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners.

Section Four. Management and Contract Rights of Association. Declarant shall enter into a contract with a management company or manager for the purposes of providing all ele-

ments of the operation, care, supervision, maintenance and management of the property. However, no such contract shall be binding upon the Association except through express adoption or ratification of the terms and conditions of such contract. Any contract or lease entered into by Declarant or by the Association while Declarant is in control thereof shall contain a provision allowing the Association to terminate such contract without justification or penalty after transfer of management by Declarant to the Association.

Section Five. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional Properties, dedication of Common Area, and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section Six. Rights of Noteholders. Any institutional holder of a first mortgage on a Lot will, upon request, be entitled to (a) inspect the books and records of the Association during normal business hours, (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of its fiscal year, (c) receive written notice of all meetings of the Association and the right to designate a representative to attend all such meetings, (d) receive written notice of any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage, (e) receive written notice of any sixty-day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage, (f) receive written notice of a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Owners Association, (g) receive written notice of any proposed action that requires the consent of a specified percentage of mortgage holders, and (h) be furnished with a copy of the master insurance policy.

IN WITNESS WHEREOF, Cedar Brook, Ltd., has caused this instrument to be executed by its Managing Partner in accordance

with the partnership agreement, this 31st day of December, 1984.

CEDAR BROOK, LTD., a North Carolina Limited Partnership

BY: ALLENTON REALTY AND INSURANCE COMPANY
Managing Partner

ATTEST:

BY *James D. Aldridge*
President

C. Ralph Cochran
Asst Secretary

NORTH CAROLINA

DURHAM COUNTY

I, *Cindy Underwood*, a Notary Public, do hereby certify that *C. Ralph Cochran* personally came before me this day and acknowledged that he is *Asst* Secretary of ALLENTON REALTY AND INSURANCE COMPANY; Managing Partner of Cedar Brook, Ltd., and that, by authority duly given and as the act of the corporation on behalf of the partnership, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by *him* self as its *Asst.* Secretary.

Witness my hand and notarial seal, this the 31st day of December, 1984.

My commission expires:

9-26-88

Cindy Underwood
Notary Public

EXHIBIT A

BEGINNING at a stake located in the property line on the north side of Chapel Hill Road, said stake being at the southwest corner of the Arthur J. Prange parcel as shown on the plat hereinafter referred to; and thence from said point and place of beginning along and with the property line on the north side of Chapel Hill Road South 80° 36' 53" West 194.50 feet to a stake; thence with the east line of Phase II North 09° 23' 07" West 187.0 feet to a stake; thence with the southern line of Phase V North 80° 36' 53" East 232.58 feet to a stake located in the west line of the Prange parcel; thence along and with said line South 02° 07' 30" West 190.84 feet to a stake, the point and place of BEGINNING, and being all of Phase I, containing 0.917 acres, more or less, as shown on the plat and survey of Innisfree by S. D. Puckett & Associates, Inc., dated November 1984, recorded in Durham County Registry in Plat Book 107, at page 18, to which reference is herewith made for a more particular description of same.

Declarant hereby dedicates to the use of all of the Owners and their guests the private roads as shown on the plat hereinabove referred to,

EXHIBIT B

BEGINNING at a stake located in the property line on the north side of Chapel Hill Road, said stake being at the southwest corner of the property of Arthur J. Prange (Deed Book 276, page 504); and thence from said point and place of beginning along and with the property line on the north side of Chapel Hill Road South 80° 36' 53" West 267.80 feet to a stake; thence continuing with said property line South 80° 27' 31" West 212.31 feet to a stake; thence continuing with said property line in a westerly and clockwise direction along an arc with a radius of 189.82 feet a distance of 150.85 feet to a stake; thence as the property line on the northeast side of Chapel Hill Road merges with the property line on the southeast side of University Drive in a northwesterly and clockwise direction along an arc with a radius of 30 feet a distance of 47.41 feet to a stake located in the property line on the east side of University Drive; thence in a northerly and counterclockwise direction along and with the property line on the east side of University Drive along an arc with a radius of 1,316.89 feet a distance of 710.21 feet to a stake; thence continuing with said property line North 05° 38' 10" East 83.0 feet to a stake; thence South 74° 34' 17" East 400.22 feet to a stake; thence along and with the west line of Arthur J. Prange South 02° 07' 30" West 628.09 feet to the point and place of BEGINNING, containing 8.032 acres and being the property of Allenton Realty and Insurance Company according to a plat and survey thereof by Southeastern Surveys, Inc., dated September 18, 1984, recorded in Durham County Registry in Plat Book 104, at page 133, to which reference is herewith made for a more particular description of same.