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BOOK 1257 PAGE 410

NORTH CAROLINA
DURHAM COUNTY

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
THE VILLAGES OF CORNWALLIS,
DURHAM COUNTY REGISTRY

THIS DECLARATION, made on the date hereinafter set forth by THE ADAMS-BILT COMPANY of Raleigh, North Carolina, hereinafter referred to as "Declarant,"

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property in Triangle Township, County of Durham, State of North Carolina, which is more particularly as all of that Property shown on a map entitled "A Portion of Villages of Cornwallis" recorded in Plat Book 110, Page 27 of the Durham County Registry, except that 7.724 acres captioned "Dakalb West" and that 5.439 acres entitled "Dekalb," said area being further described by metes and bounds on Exhibit "A" attached hereto.

AND WHEREAS, Declarant will by various documents subject said properties to the protective covenants, conditions, restrictions, reservations, liens and charges contained herein, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property.

NOW, THEREFORE, Declarant hereby states that said easements, restrictions, covenants and conditions shall be as hereinafter set forth. These easements, covenants, restrictions, and conditions shall run with the real property and shall be binding on all parties having or acquiring any right, title or interest in the described

Declarant

01094

Declaration of Covenants

1-31-86

BK 1259

Pg 323

2-18-86

BK 1261

Pg 998

Pg 1000

Annexation

BK 1415

Pg 263

11-18-87

Declaration Annexation

Book 1300

Page 104

8-4-86

6800

Declarant

Pg 526-527

BK 1507

2/15/89

Declaration

BK 1563

Pg 489

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Declaration

annexation

BK 1442

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2-8-88

Declarant

Annexation

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BK 1467 Pg 947-948

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Declaration

BK 1511

Pg 513

3-10-89

properties or any part thereof, and shall inure to the benefit of each owner thereof. However, none of the Property shall be subject to said covenants and conditions until an annexation document subjecting said Property to covenants and conditions herein has been recorded in the Durham County Registry.

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ARTICLE I

STATEMENT OF PURPOSE AND INTENT

The Declarant is engaged in the development of a tract of land containing approximately 75 acres of land, located on the southwest side of Cornwallis Road of the City of Durham, and to be known as The Villages of Cornwallis. The Villages of Cornwallis will include residential (including without limitation, single family, duplex, condominium and townhomes) and recreational properties. The Villages of Cornwallis shall be divided into seven subdivisions as follows: Tarleton West, Tarleton East, Rawdon, Balfour West, Balfour East, Clinton, and Abercromby, and the Villages Common Area, which shall include all amenities. However, the Declarant reserves the right not to create one or more of the above subdivisions, or to create one or more new subdivisions not named above. It is anticipated that by separate annexation document each of these areas shall be made subject to the covenants and restrictions contained in this document, however, the Declarant reserves the right not to annex any or all of said areas. Each subdivision created shall have its own incorporated homeowners association. Each subdivision shall have a separate declaration further outlining the duties, obligations, and rights of the members of that association. Whether the subdivision is an area of single family homes, duplexes, townhomes or a condominium, or other types of

residences shall determine the duties, rights, and limitations of each subdivision association.

The purpose of this declaration is to provide for the overall administration of The Villages of Cornwallis. All Village Common Areas (including amenities), shall be owned by The Villages of Cornwallis Owners Association (Villages Association). Subdivision Common Area shall be owned by individual associations, or by owners of condominium units when applicable. The Villages Association shall have all assessment and collection authority, including the collection of that portion the assessments for the benefit of each subdivision. The Villages Association shall also be responsible for the maintenance of Common Areas, private streets, amenities, etc. which it owns. A subdivision, through its portion of the assessments, shall be responsible for providing the funds needed for the maintenance of the Common Areas located within the subdivision. All funds shall be managed by and disbursed by the Villages Association. However, assessments collected on behalf of each subdivision shall be expended as directed by the Board of Directors of that subdivision. However, if in the opinion of the Villages Association, a subdivision board is not fulfilling its duties, the Villages Association may assert control over the funds of said subdivision. The Villages Association shall also have architectural control for the entire subdivision, including each local subdivision. It may also adopt rules and regulations for a

subdivision, if in its opinion, the subdivision association fails to do so. Each subdivision association will be responsible for determining its budget, determining the subdivision portion of the annual assessment, deciding what maintenance needs to be done in the Common Areas, promulgating rules and regulations pertaining to its subdivision, and electing directors to the Board of the Villages of Cornwallis Association. In determining the subdivision portion of the annual assessment, the subdivision shall provide enough funds to properly maintain the Common Area in the subdivision. Membership of the Board of Directors of the Villages of Cornwallis Association shall consist of representation from each subdivision and the voting power of each representative shall be as determined by the Bylaws of the Villages of Cornwallis Association.

This article is a brief synopsis of the interrelationship between the Villages of Cornwallis Association and the local subdivisions. In the event of a conflict between this Article and any other portion of this Declaration or the Articles of Incorporation of the Villages of Cornwallis Owners Association, said documents shall take precedence over and control this Article.

ARTICLE II

DEFINITIONS

SECTION 1. "Villages Association" shall mean and refer to The Villages of Cornwallis Owners Association, Inc., its successors and assigns.

SECTION 2. "Properties" shall mean and refer to that certain real property described in Exhibit A or such of said area that has been made subject to this Declaration.

SECTION 3. "Villages Common Area" shall mean all real property owned by the Villages Association for the common use and enjoyment of all members or designated classes of members of the Villages Association, including recreational areas, private streets, and private sewage, drainage and water systems. This shall not include "Common Areas" which are part of a condominium or owned by subdivision association.

SECTION 4. "Subdivision Common Area" shall mean all real property including private streets and private sewage, drainage and water systems, owned by subdivision associations or which are a part of a condominium.

SECTION 5. "Lot" shall mean and refer to any plot of land shown upon the last recorded subdivision map of the Properties on which such plot appears (provided said map has been approved by Declarant), and any condominium unit that has been established pursuant to Chapter 47A of the North Carolina General Statutes, provided said plot of land or condominium unit has been annexed into the Declaration of the Villages of Cornwallis and the applicable subdivision declaration. "Lot" shall not include "Common Areas".

SECTION 6. "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 has been made subject to this Declaration, including contract sellers, but excluding

those having such interest merely as security for the performance of an obligation.

SECTION 7. "Declarant" shall mean and refer to The Adams-Bilt Company, a North Carolina corporation, and those of its successors and assigns, if any, to whom the rights of Declarant hereunder are expressly transferred hereafter, in whole or in part, and such assigned rights shall be subject to such terms and conditions as the Declarant may impose.

SECTION 8. "Amenities" shall mean the recreational facilities constructed, erected, or installed on the Common Areas.

SECTION 9. "Subdivision" shall mean a Portion of the Villages of Cornwallis, such as Tarleton West, Tarleton East, Rawdon, Balfour West, Balfour East, Clinton, or Abercromby, which has its own owners association.

ARTICLE III

ANNEXATION OF ADDITIONAL PROPERTIES

SECTION 1. ANNEXATION BY VILLAGES ASSOCIATION.

Except as provided in Section 2 of this Article, additional land may be added and annexed to the Property only if three-fourths (3/4) of all the votes entitled to be cast by the Board of Directors of the Villages Association are cast in favor of annexation. A meeting shall be duly called for this purpose, written notice of which shall be sent to all members of the Board of Directors of the Villages Association, setting forth the time, place and purpose of

the meeting not less than fifteen (15) nor more than thirty (30) days in advance of the meeting.

SECTION 2. ANNEXATION OF LAND WITHIN THAT AREA DESCRIBED IN EXHIBIT A OF THE DECLARATION. The Declarant may subject portions of the Properties to the Declaration in the following manner:

(a) If, within ten (10) years of the date of incorporation of the Villages Association, the Declarant should develop lands within the boundaries of lands described in Exhibit "A" of this Declaration, such lands may be annexed to said Properties without the assent of the Village Association. Detailed plans for the development of lands may be submitted to the City of Durham prior to such development if such submission is required by ordinances of the City of Durham.

(b) The Declarant may annex to the lands described in Subsection (a) of this Article by recording in the Durham County Registry a declaration of annexation, duly executed by Declarant, describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions therein. The land shall be deemed to be subject to this Declaration on the date of recordation of the declaration of annexation, and no action or consent on the part of the Villages Association or any other person or entity shall be necessary to accomplish the annexation.

(c) Subsequent to recordation of the declaration of annexation by the Declarant, the Declarant shall deliver to the Village Association, or an association of a subdivision, as applicable, one or more deeds conveying any common area within the lands annexed as such common area is developed.

ARTICLE IV

MEMBERSHIP

Each subdivision for which an owner's association has been incorporated and for which a part of the subdivision has been made subject to this Declaration shall be a member of the Villages Association. The Villages Association shall be governed by a Board of Directors made up of representatives from each member subdivision. The number of Board members from each subdivision, their selection, qualification, and voting power shall be as determined by the Bylaws of the Villages of Cornwallis Owners Association.

ARTICLE V

PROPERTY RIGHTS: AMENITIES

SECTION 1. MEMBERS' EASEMENT OF ENJOYMENT. Every owner shall have a right and easement of enjoyment in and to the Villages common area and such easement shall be appurtenant to and shall pass with the title to every assessed Lot, subject to each of the following provisions:

(a) The right of the Villages Association, in accordance with its Articles and Bylaws, to borrow money

for the purpose of improving the Villages Common Area and facilities and in aid thereof to mortgage the Villages Common Area, or any portion thereof, provided the rights of such mortgage in said Properties shall be subordinate to the rights of the owners hereunder.

(b) The right of the Villages Association to suspend the rights to use the amenities by a Member or any person to whom he has delegated his right or enjoyment for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed thirty (30) days, for any infraction of its published rules and regulations;

(c) The right of the Villages Association to dedicate or transfer all or any part of the Villages Common Area for such purposes and subject to such conditions as may be agreed to by the members of the Board of Directors.

(d) The right of the Villages Association to dedicate or transfer all or any part of the Villages Common Area for utility, drainage, pedestrian walkway and cablevision easements.

(e) The right of the Villages Association, acting through its Board, to exchange Villages Common Area, as set forth in Section 8, Article XIII of this Declaration.

(f) The right of the Villages Association to formulate, publish and enforce rules and regulations as provided in Article VII.

(g) Actions contemplated under subparagraphs (a), (c) and (e) above shall not be taken until the following two steps are met:

(1) Board members entitled to cast three-fourths (3/4) of all the votes of the Board of Directors have voted for such action at a meeting duly called for said purpose, notice of which was sent to every board member not less than fifteen (15) nor more than thirty (30) days in advance of the meeting.

(2) Owners of Lots owning two-thirds (2/3) of the Lots in the Villages of Cornwallis other than those owned by Declarant, have approved the action in writing.

The instrument effecting such dedication, transfer, conveyance or mortgage shall be sufficient if executed by appropriate officers of the Villages Association and contains a recital of the above provisions, and that they have been complied with.

SECTION 2. DELEGATION OF USE. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Villages Common Area facilities and amenities to the members of his family, his tenants, or contract purchasers who reside on the property.

SECTION 3. TITLE TO THE VILLAGES COMMON AREA. The Declarant hereby covenants for itself, its heirs and assigns, that it will convey fee simple title to the Villages Common Area to the Villages Association free and

clear of all encumbrances and liens, except utility, antenna and drainage and sedimentation easements, sanitary sewer easements, and easements of governmental authorities.

SECTION 4. AMENITIES. As part of the Villages of Cornwallis the Declarant plans to construct a swimming pool, two tennis courts and other buildings incidental to the foregoing (herein referred to as "Amenities"). Declarant plans to convey the Amenities to the Villages Association. Said amenities shall be a part of the Villages Common Area of the Villages Association and shall be maintained and repaired with funds from the Villages portion of the annual assessment (infra Article VI). A reserve fund for the replacement of said amenities shall be established and administered by the board from the same fund. However, the Declarant reserves the right to alter the plan and composition of the Amenities. When the Amenities have been conveyed to the Villages Association, each owner shall have the right to use the Amenities without charge (except for annual assessments as set forth in Article VI of this Declaration), and may delegate such use to members of his family, his tenants or contract purchasers who reside on the property. Each owner in the Villages of Cornwallis must support the amenities through assessments, regardless of whether said owner uses the amenities.

The Declarant, and later the Board of Directors of the Villages Association, may offer membership to individuals, or other entities who do not own a lot in the Villages of Cornwallis. Such memberships shall be at fees and prices as determined by the Declarant and later the Board of Directors of the Villages Association. However, no such memberships shall be granted or guaranteed for longer than a one year period.

Owners in the DeKalb office condominium, which adjoins the Villages of Cornwallis, shall always have the right to purchase "memberships" to use the amenities. The Declarant and later the Board of Directors shall charge them the standard fees charged to outsiders who purchase memberships in the amenities. The owners in DeKalb shall be entitled to purchase a membership for one person for each 500 square feet of floor space they own in the DeKalb office condominium. For example: If "A" owned 10,000 square feet of floor space, A would be entitled to purchase 20 memberships at the standard rate. Each membership would be for one person and would be subject to such rules and regulations concerning the use of the amenities as applied to all purchased memberships. When an owner in Dekalb sells his condominium unit, his "right" to membership shall terminate, and he shall be subject to the rules and

regulations governing membership that apply to any person or entity that is not an Owner in The Villages of Cornwallis.

SECTION 5. PROHIBITION OF TELEVISION ANTENNAE, SATELLITE DISCS AND CLOTHESLINES. Television antennae, satellite discs and outdoor clotheslines shall be prohibited on the Properties unless approved in writing by the Architectural Committee of the Villages Association.

ARTICLE VI

ASSESSMENTS

SECTION 1. CREATION OF 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 any such deed or other conveyance, 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 fixed, established, and collected from time to time as hereinafter provided. The annual and special assessments on Lots, together with such interest thereon and costs of collection thereof, as hereinafter provided, including, without limitation, reasonable attorney's fees, shall be the personal obligation of the person who was the Owner of such property for the period of such person's ownership. The personal obligation shall not pass to his successors in title unless expressly assumed by

them. All assessments relating to Common Area shall be shared equally by the Owners of each Lot.

The assessment for each Lot owned by Declarant shall be 25% of the assessment which is applicable for a Lot titled in a name other than that of Declarant.

SECTION 2. ANNUAL ASSESSMENT. The annual assessment for each Lot shall be comprised of two parts: (1) An assessment for the subdivision in which the lot is located (subdivision portion) and (2) an assessment for the Villages Association (Villages portion). Before December 1 of each year, each subdivision shall determine its subdivision portion of the annual assessment, if any, pursuant to the guidelines in that subdivision's Declaration and report said amount to the Board of the Villages Association. These two amounts will be added together to determine the total annual assessment payable by the owner of each Lot. Collection of both portions of the annual assessment shall be handled by the Villages Association. The subdivision portion collected for each subdivision shall be held in separate accounts for each subdivision. Said

amounts shall be used exclusively for the benefit of the subdivision for which they were collected. Funds collected from the subdivision portions shall be expended as directed by the Board of Directors of the subdivision from which it was collected. However, if said Board of Directors is not fulfilling its duties as determined by majority vote of the Villages Association Board, then the Villages Association shall be empowered to assert control of the expenditure of that subdivision's funds. The Board of Directors of the Villages Association shall review the budget of each local subdivision. If the Board determines by affirmative vote of Board members entitled to cast three-fourths (3/4) of all the votes of members of the Board of Directors that the budget of a subdivision is not high enough to enable the Villages Association or the subdivision association in question to properly perform the duties of the subdivision's association, then it may hold a special meeting to determine whether the subdivision's budget should be increased. Any increase in the subdivision portion of a subdivision must be approved by an affirmative vote of Board members who are entitled to cast three-fourths (3/4) of all the votes of members of the Board of Directors, at a meeting duly called for said purpose and must fall within the limitations on increases provided in the Declaration of the subdivision. Written notice of said meeting shall be sent to each Board member and to each member of the subdivision in question not less than fifteen (15) days nor more than thirty (30) days

before said meeting. Said notice shall set forth the purpose of the meeting.

SECTION 3. PURPOSES OF ASSESSMENTS. The "subdivision portion" of the annual assessment levied by the Villages Association on a particular subdivision shall be used exclusively for promoting the recreation, health, safety, and welfare of the residents of the said subdivision; enforcing the covenants and rules of that subdivision; improving and maintaining the Common Areas located within that subdivision, including private streets; and establishing and maintaining a reserve fund for the periodic maintenance, repair, and replacement of improvements to the said Common Areas; paying the common expenses of that subdivision; and providing the services and facilities for purposes of and related to the use and enjoyment of the subdivision Common Areas and facilities.

The Villages portion of the annual assessment shall be used exclusively for the purpose of promoting the beautification of the Properties, the recreation, health, safety, and welfare of the residents in the Properties, the repair and maintenance of amenities located within the Villages Common Area, the maintenance of Villages Common Area, the establishment and maintenance of a reserve fund for the periodic maintenance, repair and replacement of improvements to the Village Common Area, the enforcement of these Covenants and the rules of the Villages Association, and, in particular, for the improvement and maintenance of

the Properties and providing the services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area. Nothing herein shall mean that assessments may not be used for the beautification of areas within the subdivision but which are not part of the Villages Common Areas, such entrance signs, access easements crossing private property, median strips within public streets or the interior of cul-de-sacs.

SECTION 4. BASIC AND MAXIMUM FOR VILLAGES PORTION OF ANNUAL ASSESSMENT. To and including December 31, 1986, the basic (and maximum) Villages portion of the annual assessment shall not be in excess of \$120.00 per Lot, except as otherwise provided herein, the exact amount of which shall be determined from time to time as provided in subsection (c) of this Section 4.

(a) From and after December 31, 1985, the Villages portion of the annual assessment may be increased by the Board of Directors of the Association effective January 1 of each year to an amount which may not exceed the original assessment (or revised assessment determined pursuant to subparagraph (b) below) plus seven (7%) percent of said assessment per year since 1985 or the year the revised assessment was established, whichever is later; such increased assessment shall be the maximum Villages portion of the annual assessment.

(b) After December 31, 1985, the Villages portion of the annual assessment may be increased by an affirmative

vote of those Board members who are entitled to cast three-fourths (75%) all votes of the Members of the Board at a meeting called for such purpose, and the increased Villages portion of the annual assessments shall be the Villages portion of the annual assessment and be thereafter adjusted pursuant to subparagraph (a) of this Section 4. Written notice of such meeting shall be given to all Board members not less than fifteen (15) days nor more than thirty (30) days in advance of the meeting, setting forth the date, time, place, and purpose of the meeting. The provisions of this subsection shall not apply to nor be a limitation upon any change in the basic and maximum assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(c) After consideration of the current maintenance costs and future needs of the Association, the Board of Directors may fix the annual Villages portion of the annual assessment at an amount not in excess of the maximum as determined in subsection (a) of this Section 4.

SECTION 5. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS.

A. Villages Association.

In addition to the annual assessments authorized above, the Villages 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 new construction, reconstruction of described capital improvements or unexpected repair or replacement of described capital improvements upon the Villages Common Area, including the necessary fixtures and personal property related thereto; provided that any such assessments shall be adopted by an affirmative vote of those Board members who are entitled to cast three-fourths (3/4) of all votes of the Members of the Board. This vote shall take place at a meeting duly called for this purpose, written notice of which shall be sent to all Board members not less than fifteen (15) days nor more than thirty (30) days in advance of the meeting, setting forth the time, place and purpose of the meeting.

B. Subdivision.

In addition to the annual assessments authorized above, the Villages Association may levy in any assessment year, a special assessment on the owners in a particular subdivision, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any new construction, reconstruction of described capital improvements or unexpected repair or replacement of described capital improvements upon the subdivision Common Area located within said subdivision, including the necessary fixtures and personal property related thereto; provided that any such assessment shall be adopted by an affirmative vote of those Board members who are entitled to cast three-fourths (3/4) of all votes of the Members of the

Board of Directors. This vote shall take place at a meeting duly called for this purpose, written notice of which shall be sent to all Board members and owners of the subdivision affected not less than fifteen (15) days nor more than thirty (30) days in advance of the meeting, setting forth the time, place and purpose of the meeting. In addition to the above procedure, the Board of Directors of a subdivision shall also be authorized to approve a special assessment for that subdivision according to the procedures set forth in the Declaration for said subdivision. The special assessment approved by said subdivision in this manner shall be levied, collected and enforced by the Villages Association.

SECTION 6. UNIFORM RATE OF ASSESSMENT. The Village portion of the annual assessment must be fixed at a uniform rate for all Lots, on a per Lot basis, and may be collected on a monthly basis or less frequently.

SECTION 7. DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. The annual assessments provided for herein shall commence as to a Lot on the first day of the month following the annexation of said Lot into the Properties, unless postponed by the Declarant. The first annual assessments shall be adjusted according to the number of months remaining in the fiscal year. 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. If the Board of Directors of the Villages Association shall determine that it would be inequitable to require the payment of the full amount of annual assessment as might be the case if only a portion of the amenities are available for the use of members the Board may waive payment of any portion of the assessment. The due dates and appropriate penalties for late payment shall be established by the Board of Directors. The Villages Association upon demand at any time shall furnish a certificate in writing signed by an officer of the Villages Association setting forth whether the assessments on a specified Lot have been paid. A reasonable charge may be made to defray the actual cost of furnishing such certificate. Such certificate shall constitute conclusive evidence of payment of any assessment therein stated to have been paid.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE VILLAGES ASSOCIATION. Any assessments which are not paid when due shall be delinquent. If the assessments are not paid within thirty (30) days after the due date, assessments shall bear interest from the date of delinquency at the lesser of the highest lawful rate or twelve (12%) percent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or

otherwise escape liability for the assessment provided for herein by non-use of the Common Area or abandonment of his Lot.

SECTION 9. SUBORDINATION OF LIEN TO MORTGAGES.

The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. A sale or any transfer of any Lot shall not affect the assessment liens; provided, however, that the sale or transfer of any Lot pursuant to foreclosure of a first mortgage or any proceeding in lieu of foreclosure 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 the liability for any assessment thereafter becoming due or from the lien thereof.

SECTION 10. TWO MONTHS ASSESSMENTS TO BE

COLLECTED AT CLOSING. At the closing of each sale of a Lot, a sum shall be collected equal to the total assessment for such Lot for the succeeding two months and such sum shall be contributed to the accounts of the Villages Association to be used in the manner specified for annual assessments. This contribution shall not be considered an advance against assessments to become due, or a refundable deposit.

SECTION 11. MANAGEMENT OF FUNDS. All funds

levied and collected by the Villages Association shall be managed and under the control of the Villages Association, subject to a subdivision's right to determine and direct the use of the subdivision portion of the annual assessment.

The Villages Association is authorized to employ a professional manager to oversee accounts, manage the payment and collection of funds and perform all tasks incident to operating the Villages Association and the subdivision Associations. However, until such time as Declarant no longer controls the voting power of the Villages Association, or December 31, 1992, whichever occurs first, the Villages Association is not bound either directly or indirectly to contracts or leases (including a management contract) unless there is a right of termination of any such contract or lease, without cause, which is exercisable without penalty at any time after the occurrence of any one of the above events, upon not more than thirty (30) days notice to the other party.

ARTICLE VII

USE RESTRICTIONS

SECTION 1. RULES AND REGULATIONS OF COMMON AREAS.

The Board of Directors of the Villages Association shall have the power to formulate, publish, amend and enforce reasonable rules and regulations concerning the use and enjoyment of the Villages Common Area. If in the opinion of the Board of Directors of the Villages Association a subdivision fails to adopt reasonable rules and regulations governing the common area within a subdivision, the Villages Association may promulgate and adopt said rules.

SECTION 2. QUIET ENJOYMENT. No obnoxious or offensive activity shall be carried on upon the Properties

which may be or may become a nuisance or annoyance to the neighborhood.

SECTION 3. RULES AND REGULATIONS FOR PARKING OF VEHICLES. The Board of Directors of the Villages Association shall have the power to formulate, publish, amend and enforce reasonable rules and regulations concerning the parking of any type of vehicle on the Properties, including Village and Subdivision Common Areas. Said rules may provide, without limitation, the following:

(a) A definition of a "recreational vehicle" is and regulations covering the parking of recreational vehicles on private streets.

(b) That campers, boats, trailers, trucks and commercial vehicles of any kind that the Board designates cannot be parked in any Common Area or on any Lot, except in areas designated for that purpose, if any.

(c) Limitations on the period of time and extent to which a motor vehicle may be repaired on the premises, and that all motor vehicles parked on private streets or in common areas are to have valid license plates.

ARTICLE VIII

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, television antenna or reception lines (including

without limitation cablevision) and other public utilities as shall be established by the Declarant or by his successors in title, prior to the conveyance of Lots to subsequent owners or the conveyance of Villages Common Area to the Villages Association; and the Villages Association shall have the power and authority to grant and establish upon, over, under and across the Villages Common Area conveyed to it, such further easements as are requisite for the convenient use and enjoyment of the Properties.

All common areas shall be subject to an easement in favor of all lots and shall be deemed appurtenant to all lots, whereby the owner of each lot shall be entitled to use them for access, ingress and egress to parking areas, walkways and streets.

An easement is hereby established over the common areas (Village and Subdivision) and facilities for the benefit of applicable governmental agencies, public utility companies and public service agencies as necessary for setting, removing and reading of meters, replacing and maintaining water, sewer and drainage facilities, electrical, telephone, gas and cable antenna lines, fire fighting, garbage collection, postal delivery, emergency and rescue activities and law enforcement activities.

Declarant reserves the right to subject the above described Properties to a contract with a power and light company for the installation of underground electric cables and/or the installation of street lighting, either or

both of which may require an initial payment and/or a continuing monthly payment to a power and light company by the Owner of each Lot within said Properties.

ARTICLE IX

RIGHTS OF FIRST MORTGAGEES AND INSURERS OF FIRST MORTGAGES

Any institutional holder of a first mortgage on a Lot will, upon request in writing to the Villages Association, be entitled to (a) inspect the books and records of the Villages Association during normal business hours, (b) receive an annual 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 lot securing its mortgage, (e) receive written notice of any sixty (60) days delinquency in the payment of assessments or charges owed by the Owner of any Lot on which it holds a mortgage, (f) receive written notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Villages 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 copies of insurance policies owned by the Villages Association. The Villages Association may require the payment of expenses incurred in preparing copies and

mailing of documents furnished to first mortgage holders pursuant to this Article.

ARTICLE X

INSURANCE

SECTION 1. INSURANCE COVERAGE. Insurance coverage on the Property shall be governed by the following provisions:

(a) Ownership of Policies. All insurance policies covering the Villages Common Area shall be purchased by the Villages Association for the benefit of the Villages Association and the Owners and their mortgagees as their interest may appear.

(b) Coverage. All buildings and improvements upon the Villages Common Area and all personal property included in the Villages Common Area shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Villages 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 the standard extended coverage endorsement,

(ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land, and

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

(c) Liability. Public liability insurance shall be secured by the Villages Association with limits of liability of no less than Two Million Dollars (\$2,000,000.00) 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 Villages Association shall be paid by the Villages Association and charged to the Owners as a part of the Villages' portion of the annual assessment according to the provisions above.

SECTION 2. DISTRIBUTION OF INSURANCE PROCEEDS. Proceeds of hazard insurance policies received by the Association shall be used to defray the cost of repairs to improvements located on the Villages Common Area.

SECTION 3. 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 Villages Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments plus reserves accumulated.

SECTION 4. OFFICERS AND DIRECTORS INSURANCE. The Board may secure Officers and Directors insurance in such

amounts as the Board deems appropriate. Premiums shall be paid from the Villages portion of the annual assessment.

ARTICLE XI

ARCHITECTURAL CONTROL AND INSPECTION

Except for initial improvements by Declarant, no construction, erection, or installation of any improvements, including, but not limited to, residences, outbuilding, fences, walls, screens (whether by plants or structures) and other structures, shall be undertaken upon the Properties unless the plans and specifications therefor, showing the nature, kind, shape, height, materials, and location of the proposed improvements shall have been submitted to the Declarant or its agent and expressly approved in writing. No subsequent alteration or modification of any existing improvements nor construction, erection, or installation of additional improvements may be undertaken on any of the Properties without prior review and express written approval of the Board of Directors of the Villages Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board of the Villages Association.

In general, no exterior alterations or additions to buildings or garages shall be considered for approval unless such alterations or additions are in harmony with existing structures, as to style, shape, color and size. However, this section shall not be construed to mean that the Architectural Committee or Board shall have to approve a

proposed alteration or addition that meets the above criteria.

In general, the construction or planting of fences, walls, screens, and other structures will not be permitted if in the opinion of the Declarant, Board, or Architectural Committee, as applicable, such construction or planting constitutes an unreasonable obstruction of the view of another owner.

Generally, approval or disapproval should be issued in thirty (30) days. In the event that the Declarant or the Villages Association, as the case may be, fails to approve or disapprove the site or design of any proposed improvements within sixty (60) days after plans and specifications therefor have been submitted and received, approval will not be required, and the requirements of this Article will be deemed to have been fully met; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Declarant or the Villages Association if they contain erroneous data or fail to present adequate information upon which the Declarant or the Villages Association, as the case may be, can arrive at a decision.

The Declarant and/or the Villages Association (as applicable) shall have the right, at its election, but shall not be required, to enter upon any of the Properties during site preparation or construction, erection, or installation of improvements to inspect the work being undertaken and to

determine that such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

ARTICLE XII

PAYMENT OF TAXES AND ASSESSMENTS ON VILLAGE
COMMON AREA, LIEN IN THE EVENT OF NON-PAYMENT

The Board of Directors of the Villages Association shall provide for the payment of any taxes or assessments levied on the Village Common Area by the City of Durham or other governmental authority. Said payments shall be paid by the Villages Association as a Common Expense from the Villages portion of the annual assessment. In the event the Villages Association defaults in the payment of such taxes and assessments, which default shall continue for a period of at least six (6) months, the taxing or assessing governmental authority shall be vested with a lien on each individual lot which has been made subject to this Declaration in an amount determined by dividing the total taxes and assessments due the governmental authority by the total number of lots which have been made subject to this Declaration. Such liens may be foreclosed by the governmental authority in the same manner as provided for foreclosure of liens for ad valorem taxes and assessments for public improvements.

ARTICLE XIII

GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Villages 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 Villages 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 2. SEVERABILITY. Invalidation of any of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

SECTION 3. AMENDMENT. The covenants, conditions and restrictions of this Declaration shall run with and bind the land, and shall insure to the benefit of and be enforceable by the Villages Association, or the owner of any Lot subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a term of thirty (30) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for an unlimited number of successive periods of ten (10) years each. The covenants, conditions and restrictions of this Declaration may be amended by an instrument signed by the Owners of not less than sixty-six

and two-thirds (66-2/3%) percent of the Lots that have been made subject to this Declaration.

Notwithstanding the foregoing, an amendment which requires the approval of the City Attorney of Durham shall not be effective until approved by said Attorney.

SECTION 4. PROCEDURE FOR CERTIFICATION AND RECORDATION OF AMENDMENT. Any instrument amending these covenants, conditions, and restrictions shall be delivered following execution by the Owners, to the Board of Directors of the Villages Association. Thereupon, the Board of Directors shall, within thirty (30) days after delivery do the following:

(a) Reasonably assure itself that the amendment has been executed by the Owners of the required number of Lots as provided in Section 4 of this Article. (For this purpose, the Board may rely on its roster of members and shall not be required to cause any title to any Lot to be examined);

(b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Villages Association in the same manner that deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO COVENANTS
CONDITIONS AND RESTRICTIONS OF THE VILLAGES OF CORNWALLIS

By authority of its Board of Directors, The Villages of Cornwallis Owners Association, Inc., hereby certifies that the foregoing instrument has been duly executed by the Owners of _____ percent of the Lots of The Villages of Cornwallis and is, therefore, a valid amendment

to the existing covenants, conditions and restrictions of
The Villages of Cornwallis.

This the day of , 19 .

THE VILLAGES OF CORNWALLIS
OWNERS ASSOCIATION, INC.

By

President

ATTEST:

Secretary

(c) Immediately, and within the thirty (30) day
period aforesaid, cause the amendment to be recorded in the
Durham County Registry.

All amendments shall be effective from the date of
recordation in the Durham County Registry, provided,
however, that no such instrument shall be valid until it has
been indexed in the name of this Association. When any
instrument purporting to amend the covenants, conditions and
restrictions has been certified by the Board of Directors,
recorded and indexed as provided by this Section, it shall
be conclusively presumed that such instrument constitutes a
valid amendment as to the Owners of all Lots in The Villages
of Cornwallis.

SECTION 5. FHA/VA APPROVAL. Notwithstanding any
provision in this instrument to the contrary, until December
31, 1995, the following actions shall require the approval
of the Federal Housing Administration or Veterans
Administration if the Declarant desires to qualify sections
of the Properties for the Federal Housing Administration or

Veterans Administration if the Declarant desires to qualify sections of the Properties for the Federal Housing Administration or the Veterans Administration approval: (1) annexation of additional properties, and dedication of additional Common Areas not covered by Section 2 of Article III of this Declaration; (2) amendment of this Declaration of Covenants, Conditions and Restrictions; (3) mergers and consolidations; (4) mortgaging of Villages Common Area, (5) dissolution and (6) exchange of Common Areas.

SECTION 6. DISSOLUTION OR INSOLVENCY. Upon dissolution or insolvency of the Association or upon loss of ownership of the Common Area by the Villages Association for any cause whatsoever, any portion of the Common Area not maintained by a non-profit corporation, as hereinabove provided, shall be offered to the City of Durham to be dedicated for public use for purposes similar to those to which they were required to be devoted by the Association. If the City of Durham accepts the offer of dedication, such portion of the Common Area shall be conveyed by the Villages Association to the City of Durham, subject to the superior right of the Owner of each Lot to an easement for reasonable ingress and egress between his Lot and the public street.

In the event that the City of Durham refuses the offer of dedication and conveyance, the Villages Association may transfer any convey such Common Area to any non-profit corporation, association, trust or other organization which is or shall be devoted to purposes and uses that would most

nearly conform to the purposes and uses to which the Common Area was required to be devoted by the Association.

SECTION 7. LIMITATION OF CITY'S LIABILITY. In no case shall the City of Durham which provides emergency or regular fire, police or other public service for the Properties, be responsible for failing to provide any such service to the Properties or any of its occupants when such failure is due to the lack of access to such areas due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Declarant, Villages Association, or occupants.

SECTION 8. EXCHANGE OF COMMON AREA. With approval as set forth in Section 1(g) of Article V of this Declaration, the Villages Association, acting through its Board, from time to time may exchange with Declarant or any member a portion of the Villages Common Area for a portion of the real property owned by such member within The Villages of Cornwallis, provided that the real proeprty acquired by the Association in the Exchange; (a) is free and clear of all encumbrances except the Villages and Subdivision Declarations, and easements for drainage, utilities, and sewers; (b) is contiguous to other portions of the Villages Common area; and (c) has approximately the same area and utility as the portion of the Villages Common Area exchanged. The real property so acquired by the Villages Association shall be a part of the Villages Common Area, and, without further act of the Villages Association

or membership, shall be released from any provisions of the Villages Declaration except those applicable to the Villages Common Area. The portion of the Villages Common Area so acquired by Declarant or a member, without further act of the Villages Association or membership, shall cease to be Villages Common Area and shall be subject to those provisions of the Villages Declaration that were applicable to the real property conveyed to the Villages Association by the member.

SECTION 9. INTERVENTION OF VILLAGES ASSOCIATION.

If, in the opinion of the Board of the Villages Association, the Board of any Subdivision Association fails to perform any of its duties as set forth in its Declaration, the Board of the Villages Association, may, but is not obligated to, assert control and perform said duties, until said subdivision Board, in the opinion of the Villages Board, is ready to perform and properly execute its responsibilities.

SECTION 10. LIMITATION ON VILLAGES ASSOCIATION ENTERING INTO LONG-TERM CONTRACT. The Villages Association shall not enter into contracts or leases (including management agreements) either directly or indirectly unless there is a right of termination of any such contract or lease, without cause, which is exercisable without penalty at any time upon not more than 30 days notice to the other party thereto.

IN WITNESS WHEREOF, the corporate Declarant on authority of its Board of Directors has caused this instrument to be executed in its corporate name, on this the 14th day of January, 1986.



THE ADAMS-BILT COMPANY

By: [Signature]
J. R. Adams, President

Alice Q. Hutchins
Assistant Secretary

NORTH CAROLINA

WAKE COUNTY

I, the undersigned, a Notary Public in and for said State and County do hereby certify that Alice Q. Hutchins personally appeared before me this day and acknowledged that she is Ass't. Secretary of THE ADAMS-BILT COMPANY, a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal, and attested by herself as its Ass't. Secretary.

WITNESS my and notarial seal this the 14th day of January, 1986.

Kaye M. Horton
Notary Public

My Commission Expires:

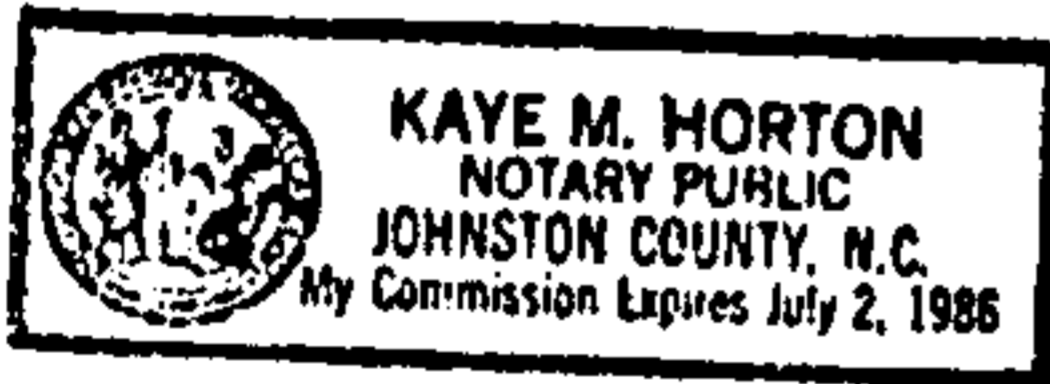
7-2-86

bkp/dhb11

FILED
BOOK 1257 PAGE 450-451

JAN 21 2 17 PM '86

RUTH C. GARRETT
REGISTER OF DEEDS
DURHAM COUNTY, NC



State of North Carolina - Durham County

The foregoing certificate(s) of Kaye M. Horton

A Notary (Notaries) Public of the Designated Governmental units is (are) certified to be correct.

This the 21st day of January, A.D. 1986

Ruth C. Garrett [Signature]

Register of Deeds By: Assistant, Deputy Register of Deeds

EXHIBIT A

Approximately 74.306 Acres, The Villages of Cornwallis

BEGINNING at a point where the northeastern line of a 40-foot City of Durham sanitary sewer easement recorded in Plat Book 93, Page 138 of the Durham County Registry intersects the northwest line of the property now or formerly belonging to James E. Stoval; running thence with the line of James E. Stoval the following courses and distances: South $53^{\circ} 30' 36''$ West 333.39 feet to a point, South $04^{\circ} 05' 52''$ West 549.57 feet to a point, a common corner with property now or formerly belonging to Fletcher R. Chambers; thence with the western line of Fletcher R. Chambers South $04^{\circ} 10' 27''$ West 1269.93 feet to a point in the northern line of property now or formerly belonging to Home Savings and Loan; thence with the northern line of Home Savings and Loan North $86^{\circ} 22' 31''$ West 1104.26 feet to a point in the eastern line of property now or formerly belonging to Katherine C. Bell; thence with the eastern line of Katherine C. Bell North $00^{\circ} 46' 49''$ East 715.07 feet to a point, a common corner with property now or formerly belonging to Willie Bracey; thence with the eastern line of Willie Bracey North $01^{\circ} 13' 18''$ East 482.63 feet to a point, a common corner with property now or formerly belonging to Marvin O. Roberts; thence with the eastern line of Marvin O. Roberts and property now or formerly belonging to Mary Spence North $00^{\circ} 00' 21''$ West 1202.56 feet to a point, a common corner with property now or formerly belonging to Calvin Shaw; thence with the line of Calvin Shaw the following courses and distances: South $87^{\circ} 07' 49''$ East 460 feet to a point, North $05^{\circ} 27' 52''$ East 561.86 feet to a point, North $24^{\circ} 57' 52''$ East 299.8 feet to a point marking the centerline of said 40-foot City of Durham sanitary sewer easement and the southwest line of land belonging to J. R. Adams; thence with the centerline of said 40-foot City of Durham sanitary sewer easement and the southwest line of J. R. Adams the following courses and distances: South $32^{\circ} 21' 14''$ East 159.33 feet to a point, South $37^{\circ} 00' 44''$ East 435.20 feet to a point, South $26^{\circ} 58' 29''$ East 312.05 feet to a point; thence South $46^{\circ} 22'$ East 60.25 feet to a point; thence South $26^{\circ} 58' 29''$ East 58.37 feet to a point; thence South $34^{\circ} 35' 23''$ East 499.46 feet to the point and place of Beginning, and being approximately 74.306 acres as shown on a map entitled "A Portion of The Villages of Cornwallis," dated August 21, 1985, by John Y. Phelps, Jr., Registered Land Surveyor.