

Prepared by: Joseph J. Kalo, IV
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P.O. Box 1998, Burlington, NC 27216

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
WATERFORD WEST**

THIS DECLARATION is made this the 18th day of December, 2007, by **LAKEBRIDGE DEVELOPMENT, INC.**, a North Carolina corporation having an office in Alamance County, North Carolina, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the City of Burlington, Boone Station Township, Alamance County, North Carolina, which is more particularly described as follows:

- a) The real property shown on that certain plat entitled "SHEET 1 OF 3, FINAL PLAT, PHASE 1, WATERFORD WEST (AND RECOMINATION PLAT*)" prepared by Alley, Williams, Carmen & King, Inc., Gary R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job #06068, a copy of which is duly recorded in Plat Book 72, Page 192 of the Alamance County Registry **BUT SAVING AND EXCEPTING THEREFROM THE FOLLOWING TRACTS OR PARCEL OF LAND WHICH ARE NOT BEING SUBJECTED TO THIS DECLARATION:** (a) Lots One Hundred Twenty-Three (123) and

One Hundred Twenty-Five (125) shown upon said plat which are not part of Waterford West; and (b) Lot Five (5) as shown on said plat.

- b) The real property shown on that certain plat entitled "SHEET 2 OF 3, FINAL PLAT, PHASE 1, WATERFORD WEST (AND RECOMINATION PLAT*)" prepared by Alley, Williams, Carmen & King, Inc., Gary R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job #06068, a copy of which is duly recorded in Plat Book 72, Page 193 of the Alamance County Registry
- c) Reference is further made to that property line curve table and line table set forth on that certain plat entitled "SHEET 3 OF 3, FINAL PLAT, PHASE 1, WATERFORD WEST (AND RECOMINATION PLAT*)" prepared by Alley, Williams, Carmen & King, Inc., Gary R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job #06068, a copy of which is duly recorded in Plat Book 72, Page 194 of the Alamance County Registry

WHEREAS, it is the intent of the Declarant to develop Waterford West as a residential community consisting of single family detached residences and hereby to cause the above-described property and future phases of Waterford West to be subjected to this Declaration of Covenants, Conditions and Restrictions.

NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. It is the intent of Declarant that the provisions of this Declaration in all respects conform and comply to the requirements set forth in the North Carolina Planned Community Act. To the extent any provision contained herein does not conform or comply with the North Carolina Planned Community Act, the provisions of the Act shall control.

ARTICLE I

DEFINITIONS

SECTION 1. "Additional Property" shall mean and refer to the property described in **Schedule "A,"** attached hereto and incorporated herein by this reference, together with any other property located adjacent to the Properties. For the purpose of determining whether property is adjacent to the Properties, the rights of way of public roads and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property.

SECTION 2. "Appropriate Local Governmental Authority" shall mean and refer to the City of Burlington or other appropriate local governmental authority having jurisdiction over the Properties.

SECTION 3. "Association" shall mean and refer to Waterford West Community Association, Inc., its successors and assigns.

SECTION 4. "Common Elements" or "Common Area" shall mean all real property owned by the Association (whether owned in fee or by way of license or easement) or leased by the Association, other than a Lot. The Common Elements to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

That certain tract or parcel of land lying and being in the City of Burlington, Boone Station Township, Alamance County, North Carolina, adjoining the 50 foot right of way of Lochshire Drive, Lots 6 and 7 as shown upon the plat hereinafter referenced, and the waters of Waterford Lake (i.e., lands of WLT Development Company, Inc. as described in Deed Book 2412, Page 866), and being more particularly described as follows:

BEGINNING at an existing iron pipe lying in the southern margin of the 50 foot right of way of Lochshire Drive and marking the northern corner of Lot 6 as shown upon the plat hereinafter referenced; thence proceeding along and with the southern margin of the 50 foot right of way of Lochshire Drive, North 49° 04' 36" East 82.02 feet to an existing iron pipe marking the western corner of Lot 7 as shown upon the plat hereinafter referenced; thence proceeding along and with the western line of Lot 7 as shown upon the plat hereinafter referenced, South 40° 55' 24" East 238.79 feet to an existing iron pipe; thence, South 40° 55' 24" East 10 feet to a calculated point lying in the northern pool elevation line for Waterford Lake; thence proceeding along and with the northern pool elevation line for Waterford Lake, the following courses and distances: South 44° 02' 31" West 31.70 feet to a calculated point; South 68° 05' 45" West 13.42 feet to a calculated point; North 68° 43' 45" West 15.40 feet to a calculated point; North 35° 56' 32" West 23.44 feet to a calculated point; North 35° 56' 32" West 28.99 feet to a calculated point; North 40° 35' 34" West 34.30 feet to a calculated point; North 50° 13' 35" West 26.51 feet to a calculated point; North 69° 26' 58" West 22.82 feet to a calculated point; South 53° 56' 17" West 20.69 feet to a calculated point lying in the eastern line of Lot 6 as shown upon the plat hereinafter referenced; thence proceeding along and with the northeastern line of Lot 6 as shown upon the plat hereinafter referenced; North 40° 37' 07" West 10 feet to an existing iron pipe; thence, North 40° 37' 07" West 79.08 feet to the point and place of BEGINNING and being all of that "Common Area & Open Space" containing 0.334 acres, more or less, as shown on that plat of survey entitled "SHEET 1 OF 3, FINAL PLAT, PHASE 1, WATERFORD WEST (AND RE-COMBINATION PLAT)", prepared by Alley, William Carmen & King, Gary R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job No. 06068, a copy of which is duly recorded in Plat Book 72, Page 192 of the Alamance County Registry.*

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed to the Association from time to time and without the consent of the Association or its Members, additional property to the Association, which property may include any portion of the Properties, including any Additional Property annexed by Declarant pursuant to Article XI, Section 4 hereof. The Association shall accept any such conveyance of property and thereafter such property shall be held and maintained by the Association as Common Elements. Declarant may

construct or cause to be constructed (**BUT SHALL NOT BE OBLIGATED TO CONSTRUCT**) walkways and recreational facilities on any such Common Elements. Other improvements, which may include, but shall not be limited to, roadways, retention or detention ponds or erosion control devices, may be located on any such Common Elements. Declarant does not contemplate the construction of recreational improvements and amenities upon the Common Elements of Waterford West. Except as otherwise provided in Section 47F-3-113 of the Planned Community Act, the Association shall be required to promptly repair and replace any portion of the Common Elements for which the Association is required to maintain casualty insurance pursuant to the Bylaws of the Association which is damaged or destroyed. All Common Elements shall be conveyed to the Association in their "as is" condition without any express or implied warranty. **DECLARANT HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE COMMON ELEMENTS.**

The Association also may acquire additional Common Elements with the consent of the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of each class of Members of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during Declarant's Development Period no such action shall be effective without Declarant's consent and approval. For such a conveyance to be effective, the deed or instrument conveying to the Association additional Common Elements must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the instrument on behalf of the Association that the requisite owner and Declarant approval has been obtained and is evidenced by written acknowledgments signed by the owners approving the amendment and if required, Declarant, and that such acknowledgments are made a part of the minute book of the Association; and (3) be properly recorded in the Alamance County Registry.

Certain portions of the Common Area may be designated as "Limited Common Area" and reserved for the exclusive use or primary benefit of Owners of specific Lots. All costs associated with maintenance, repair, replacement, and insurance of a Limited Common Area shall be allocated among the Owners of the Lots to which the Limited Common Area is assigned. Any Limited Common Area shall be designated as such in the deed conveying such area to the Association which deed shall also identify the Lots to which the Limited Common Area is assigned. In the event of any conflict between the subdivision plat relating to such Limited Common Area and the deed conveying such area to the Association, the deed shall control. The Limited Common Elements to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

That certain tract or parcel of land lying and being in the City of Burlington, Boone Station Township, Alamance County, North Carolina, adjoining the 50 foot right of way of Dunmore Drive, Lots 77 – 89 (both inclusive), as shown upon the plat hereinafter referenced, and Lots 76 and 90 as shown on that plat entitled "SHEET 2 OF 3, FINAL PLAT, PHASE 1 OF WATERFORD WEST (AND RE-COMBINATION PLAT)", prepared by Alley, William Carmen & King, Gary R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job No. 06068, a copy of which is duly recorded in Plat Book 72, Page 193 of the Alamance County Registry, and being more particularly described as follows:*

BEGINNING at an existing iron pipe lying in the western margin of the 50 foot right of way of Dunmore Drive and marking the northern corner of Lot 77 as shown upon the plat hereinafter referenced; thence proceeding along and with the northern line of Lot 77 as shown upon the plat hereinafter referenced, South 70° 21' 45" West 154.88 feet to an existing iron pipe marking the northwestern corner of said Lot 77; thence proceeding along and with the western line of the aforesaid Lot 77, South 30° 15' 10" East 133.57 feet to an existing iron pipe marking the northwestern corner of Lot 78 as shown upon the plat hereinafter referenced; thence proceeding along and with the western line of Lot 78 as shown upon the plat hereinafter referenced, South 30° 15' 10" East 112.0 feet to an existing iron pipe marking the western corner of Lot 79 as shown upon the plat hereinafter referenced; thence proceeding along and with the western line of Lot 79, South 30° 15' 10" East 111.99 feet to a calculated point marking the common corner of Lots 79, 80, and 81 as shown upon the plat hereinafter referenced; thence proceeding along and with the northern line of Lot 81 as shown upon the plat hereinafter referenced, South 49° 04' 36" West 126.00 feet to an existing iron pipe marking the northern corner of Lot 82 as shown upon the plat hereinafter referenced; thence proceeding along and with the northern line of the aforesaid Lot 82, South 49° 04' 36" West 102.29 feet to an existing iron pipe marking the eastern corner of Lot 84 as shown upon the plat hereinafter referenced; thence proceeding along and with the eastern line of Lot 84, North 37° 31' 12" West 97.21 feet to an existing iron pipe marking the southeastern corner of Lot 85 as shown upon the plat hereinafter referenced; thence proceeding along and with the southeastern line of the aforesaid Lot 85, North 24° 58' 02" West 94.28 feet to an existing iron pipe marking the southeastern corner of Lot 86 as shown upon the plat hereinafter referenced; thence proceeding along and with the eastern line of the aforesaid Lot 86, North 12° 04' 45" West 94.28 feet to an existing iron pipe marking the southeastern corner of Lot 87 as shown upon the plat hereinafter referenced; thence proceeding along and with the eastern line of the aforesaid Lot 87, North 00° 48' 33" East 94.28 feet to an existing iron pipe marking the southeastern corner of Lot 88 as shown upon the plat hereinafter referenced; thence proceeding along and with the eastern line of the aforesaid Lot 88, North 10° 55' 43" East 101.70 feet to an existing iron pipe marking the southern corner of Lot 89 as shown upon the plat hereinafter referenced; thence proceeding along and with the eastern line of Lot 89, North 22° 49' 30" East 107.55 feet to an iron pipe set marking the common corner of the aforesaid Lots 89, 90, and 76; proceeding along and with the western line of the aforesaid Lot 76, South 28° 07' 08" East 81.65 feet to an iron pipe set; thence proceeding along and with the southern line of the aforesaid Lot 76, North 70° 21' 45" East 158.63 to an existing iron pipe and control corner marking the southeastern corner of the aforesaid Lot 76 and lying in the western margin of the 50 foot right of way of Dunmore Drive; thence proceeding along and with the 50 foot right of way of Dunmore Drive along a curve to the left having a radius of 225 feet and a chord bearing and distance of South 19° 38' 15" East 20.00 feet to the point and place of BEGINNING and being all of that Common Area / Open Space containing 2.00 acres, more or less. The above description is from a plat of survey entitled "SHEET 1 OF 3, FINAL PLAT, PHASE 1, WATERFORD WEST (AND RE-COMBINATION PLAT)", prepared by Alley, William Carmen & King, Gary*

R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job No. 06068, a copy of which is duly recorded in Plat Book 72, Page 192 of the Alamance County Registry.

Such Limited Common Area is reserved for the exclusive use or primary benefit of Owners of Lots Seventy-Seven (77) through Eighty-Nine (89), both inclusive, shown on that certain plat entitled "SHEET 1 OF 3, FINAL PLAT, PHASE 1, WATERFORD WEST (AND RECOMINATION PLAT*)" prepared by Alley, Williams, Carmen & King, Inc., Gary R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job #06068, a copy of which is duly recorded in Plat Book 72, Page 192 of the Alamance County Registry and the Owners of Lots Seventy-Six (76) and Ninety (90) shown on that certain plat entitled "SHEET 2 OF 3, FINAL PLAT, PHASE 1, WATERFORD WEST (AND RECOMINATION PLAT*)" prepared by Alley, Williams, Carmen & King, Inc., Gary R. Parrish, Professional Land Surveyor, dated July 3, 2007, Job #06068, a copy of which is duly recorded in Plat Book 72, Page 193 of the Alamance County Registry.

SECTION 5. "Conservation Area" shall mean and refer to those tracts or areas designated as "Delineated Wetland Areas", "Stream Conservation Areas" or with words of similar import any plat or map of the Properties including that map previously recorded in Deed Book 2412, Page 859 of the Alamance County Registry.

SECTION 6. "Declarant" shall mean and refer to Lakebridge Development, Inc., as well as its successors and assigns, pursuant to an express assignment or conveyance of any special declarant rights hereunder to such successor or assign, all of which rights, including Declarant's voting, architectural review, easement and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

SECTION 7. "Declarant's Development Period" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina, and continuing for so long as Declarant shall have the right to annex any portion of the Additional Property pursuant to the provisions of Article XI, Section 4 hereof or Declarant or any affiliate of Declarant shall own any portion of the Properties.

SECTION 8. "Enhanced Operating Cost" shall mean and refer to the cost differential between the annual operating cost of a hypothetical conventional street lighting system upon the Properties and the annual operating cost of the enhanced lighting system which is actually constructed upon the Properties as computed by the City of Burlington.

SECTION 9. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision plat of the Properties intended for single family detached residential purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively. The term "Lot" shall exclude any real property designated as Common Area. Those Lots adjoining Waterford Lake are "Waterfront Lots" and those Lots not adjoining Waterford Lake are "Standard Lots". Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional Common Elements; provided,

however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by the Appropriate Local Governmental Authority, nor shall any Lot within the Properties contain fewer square feet than the minimum number of square feet from time to time required by the Appropriate Local Governmental Authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration. Any easements reserved pursuant to the provisions of Article VIII, Section 1 hereof shall apply to the Lots as reconfigured provided that no previously existing easements areas are in actual use for the purposes stated in said section.

SECTION 10. "Master Plan" shall mean and refer to the plan(s) for the Properties and the Additional Property now or hereafter approved by the Appropriate Local Governmental Authority, as such plan(s) may be from time to time amended and approved.

SECTION 11. "Member" shall mean and refer to every person or entity who holds Membership with voting rights in the Association.

SECTION 12. "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, as hereinafter defined, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 13. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina, and continuing until the earlier of: (i) twenty (20) years from the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina; or (ii) such time as seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant; provided, however, if after the expiration of such period of time, the Master Plan is amended to add additional lots and fewer than seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant, such period of time shall be reinstated and shall continue until the earlier of: (i) twenty (20) years from the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina; or (ii) such time as seventy-five percent (75%) of the lots shown on the Master Plan have been conveyed by Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant.

SECTION 14. "Planned Community Act" shall mean and refer to the provisions of Chapter 47F of the General Statutes of North Carolina.

SECTION 15. "Properties" shall mean and refer to all of the real property hereby or hereafter made subject to the terms, covenants and conditions of this Declaration, as amended from time to time.

ARTICLE II

PROPERTY RIGHTS

SECTION 1. RECREATIONAL AMENITIES WHICH MAY BE LOCATED IN THE COMMON ELEMENTS. Declarant hereafter may construct or cause to be constructed (**BUT SHALL NOT BE OBLIGATED TO CONSTRUCT AND PRESENTLY DOES NOT PLAN TO CONSTRUCT**) walkways and other recreational facilities on a portion of the Common Elements.

During Declarant's Development Period, Declarant or its affiliate shall have the right to require the exclusive (or, at the discretion of Declarant or its affiliate, non-exclusive) use of all or certain portions of any Common Elements for events promoting the sale of lots or homes in Waterford West; provided, however, no such use by Declarant or its affiliate shall unreasonably interfere with or obstruct ingress, egress and regress to or from the Lots.

Pursuant to rules and regulations from time to time promulgated by the Association, upon request and after such notice as the rules and regulations may require, the Association, in the sole discretion of the Association's Executive Board or its designee, may allow a Member of the Association exclusive use of all or certain portions of any Common Elements for private events for a period not to exceed twenty-four (24) hours. Such rules and regulations may require that fees and/or deposits be paid to the Association in connection with such exclusive private use. Any damage to the Common Elements or any improvements located thereon during any such private event and any liability incurred by the Association as a result thereof not covered by insurance maintained by the Association (including any deductible) shall be the personal obligation of the Member or Members (joint and several) reserving the Common Elements and if not paid within thirty (30) days of written demand therefore shall be deemed to be assessments as set forth in Article IV hereof.

SECTION 2. MAINTENANCE OF WATERSHED IMPROVEMENTS. The Association shall maintain any lake and any retention or detention ponds, rip rap and other drainage or erosion control devices located on the Common Elements now or hereafter conveyed to the Association by Declarant that are required to be maintained by the governmental office(s) having jurisdiction for watershed protection as directed by such governmental office(s). In the event the Association is dissolved or otherwise defaults on its obligation to maintain any such drainage or erosion control device, Declarant, for each Lot owned within the Properties, hereby covenants and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of such pond or erosion control device.

SECTION 3. MAINTENANCE OF CONSERVATION AREAS. Those Conservation Areas located upon the Common Elements shall be maintained in perpetuity by the Association

in their natural or mitigated condition. In the event the Association is dissolved or otherwise defaults on its obligation to maintain the Conservation Areas located upon the Common Elements, Declarant, for each Lot owned within the Properties, hereby covenants and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay a pro rata share of the cost of the maintenance of such Conservation Areas. Those Conservation Areas located upon a Lot shall be maintained in perpetuity by the Lot Owner in their natural or mitigated condition. This Section, the provisions of Article VI, Section 13, as well as the amendment provisions in Article XI, Section 3 are intended to ensure continued compliance with the mitigation condition of a Clean Water Act authorization issued by the United States of America, U.S. Army Corps of Engineers, Wilmington District, Action ID, and therefore may be enforced by the United States of America. In the event of a conflict between this Section 3 relating to conservation areas and Article II, Section 2 hereof relating to watershed improvements, this Section 3 shall control.

SECTION 4. RULES AND REGULATIONS. The Executive Board of the Association may establish reasonable rules and regulations concerning the use of the Common Elements and any improvements located thereon. The Association may impose reasonable monetary fines and other sanctions for the violation established rules and regulations and for the violation of any of the covenants and conditions contained in this Declaration, which monetary fines and sanctions shall be assessed and collected pursuant to the provisions of Articles IV and XI hereof. Copies of such rules and regulations and the amendments thereto shall be furnished by the Association to all owners prior to the effective date thereof. All such rules and regulations shall be binding upon the owners, their families, tenants, guests, invitees and agents until and unless such regulation, rule or requirement shall be specifically overruled, canceled, or modified by the Executive Board of the Association or by the Members of the Association entitled to cast at least two-thirds (2/3) of the votes of the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

SECTION 5. OWNERS EASEMENTS OF ENJOYMENT OF COMMON ELEMENTS. Every Owner shall have a right and easement of enjoyment in and to the Common Elements which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

- (a) the easements herein reserved by Declarant or created in favor of the Association, including, without limitation the easements set forth in Article VIII hereof;
- (b) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Elements;
- (c) the right of the Association to suspend the voting rights by the Owner(s) of any Lot for any period during which any assessment against such Lot remains unpaid and for any period during which such Lot or any Owner or occupant thereof is in violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;

(d) the right of the Association to dedicate or transfer non-exclusive easements on, over and upon all or any part of the Common Elements for such purposes and subject to such conditions as may be agreed to by the Association's Executive Board; provided, however, no such dedication or transfer shall be effective unless an instrument executed on behalf of the Association by its duly authorized officers, agreeing to such dedication or transfer, has been recorded;

(e) the right of the Association, pursuant to Section 47F-3-112 of the Planned Community Act and with the consent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), to dedicate or transfer fee title to all or any part of the Common Elements for such purposes and subject to such conditions as may be agreed to by the Members consenting to such dedication or transfer; provided, however, during Declarant's Development Period, Declarant must also consent to such action and, further provided that no such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances;

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which regulations may further restrict the use of the Common Elements, and specifically including the right to make permanent and temporary assignments of parking spaces and to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Lot to which such violation reasonably may be attributed, or by any other reasonable method of enforcement established by the Association's Executive Board;

(g) the right of the Association to borrow money for the purpose of improving the Common Elements and facilities thereon and, with the assent of the Members entitled to cast at least eighty percent (80%) of the votes of the Association (including two-thirds of the votes of the Members present at a meeting of the Members held in accordance with the Bylaws of the Association, such vote including at least a majority of the votes of the Members present other than Declarant), mortgage, pledge, deed in trust, or hypothecate any or all of the Common Elements as security for money borrowed or debts incurred (any such mortgage shall be effective if it is executed on behalf of the Association by its duly authorized officers and recites that the requisite consent of Members has been obtained and documented in the Minute Book of the Association); provided, however, during Declarant's Development Period, Declarant must also consent to such action, and further provided that no such mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances; and

(h) the right of the Association to convey to Declarant portions of the Common Elements for the purpose of correcting erroneous conveyances of Common Elements or eliminating unintentional encroachments of dwellings or other improvements onto portions of the Common Elements or for the purpose of enhancing the utility of the Common Elements to be retained by the Association; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress and regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

SECTION 6. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the Common Elements and facilities to the members of his family, his tenants or contract purchasers who reside on the Lot of such Owner.

SECTION 7. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and By-Laws of the Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall have a term of not less than six (6) months. Other than the foregoing, there is no restriction on the right of any Owner to lease his Lot.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. MEMBERSHIP. Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including Declarant and any affiliated entity shall be a voting Member of the Association. The foregoing is not intended to include persons or entities that hold an interest in a Lot merely as security for the performance of an obligation. Such Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Except as otherwise provided in Section 2 below, on all matters which the Membership shall be entitled to vote, the Member(s) owning each Lot shall be entitled to one (1) vote. 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.

SECTION 2. CLASSES OF MEMBERSHIP. The Association shall have two classes of voting membership:

Class A: The Class A Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, except for Declarant or any affiliated entity during any Period of Declarant Control. In the event that a Lot is owned by more than one Class A Member, the Owners of such Lot, collectively,

shall be allocated not more than one (1) vote and the vote allocated to such Lot shall be cast as such Owners may agree between or among themselves.

Class B: Declarant shall be the Class B Member and Declarant shall be entitled to three (3) votes for each lot shown on the Master Plan as developed or to be developed as a part of Waterford West which has not been conveyed by Declarant or any affiliated entity to a Class A Member. 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 the Class A membership equal or exceed the total votes outstanding in the Class B membership; however, the Class B membership shall be reinstated if thereafter, and before the time stated in subparagraph (b) below, the Master Plan is amended to add additional lots developed or to be developed as a part of Waterford West sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to three (3) votes for each lot shown on the Master Plan as developed or to be developed as a part of Waterford West which has not been conveyed by Declarant or an affiliate of Declarant to a Class A Member) greater than those of the Class A membership; or,

(b) twenty (20) years from the date this Declaration is recorded in the Office of the Register of Deeds, Alamance County, North Carolina.

SECTION 3. DECLARANT RIGHT TO REPRESENTATION ON THE EXECUTIVE BOARD OF THE ASSOCIATION. During any Period of Declarant Control, Declarant shall have the right to designate and select all of the Members of each Executive Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Executive Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or Bylaws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Executive Board and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Executive Board so removed for the remainder of the unexpired term of any member or members of the Executive Board so removed. Any Executive Board member designated and selected by Declarant need not be a resident of the Properties. Except as otherwise provided in the Bylaws with respect to the filling of vacancies, any members of the Executive Board which Declarant is not entitled to designate or select shall be elected by the Members of the Association.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay: (a) to the Association: (i) annual and other assessments and charges provided for herein, together with interest, and late

fees, costs and reasonable attorneys' fees; (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided; and (b) to the appropriate governmental taxing authority: (i) a pro rata share of ad valorem taxes levied against the Common Elements; and (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months. All assessments and charges provided for herein, together with interest, and late fees, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Alamance County, North Carolina. Each such assessment and charge, together with interest, any late fees, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) 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 properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Elements or the Lots, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of any taxes and assessments assessed against the Common Elements including, without limitation, any recreational facilities constructed thereon, the payment of assessments assessed against the Common Elements and any improvements thereupon; the maintenance of open spaces and streets within the Common Elements which have not been accepted for dedication by a public authority, roadway medians and islands (including medians and islands located in dedicated rights-of-way within the Properties), drives and parking areas within the Common Elements; the procurement and maintenance of insurance in accordance with the By-Laws; the maintenance of dams and ponds, including retention or detention ponds, or other bodies of water, if any, located within the Common Elements; the erection, maintenance and repair of signs, entranceways, landscaping and lighting within the Common Elements, the landscaping, easements, sign easements, road medians and islands; the cost of operating, maintaining and repairing any street or signage lights erected by the Association or the Declarant in the rights-of-way of streets (whether public or private) or in any other easement provided therefore within the Properties including the Enhanced Operating Costs; the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Elements; certain maintenance of that portion of yards of any Lots lying within a landscaping or sign easement; the employment of attorneys and other agents 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, paving, and any other major expense for which the Association is responsible; and such other needs as may arise.

(b) The Association may establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements 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.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operating and managing the Properties, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, the Articles of Incorporation and the By-Laws of the Association. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and Common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom shall be held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his Membership interest therein, except as an appurtenance to his Lot. When any Owner shall cease to be a Member of the Association by reason of his divestment of ownership of his Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the fund or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Properties.

SECTION 3. ADOPTION OF BUDGET AND FIXING OF ANNUAL ASSESSMENTS; MAXIMUM ANNUAL ASSESSMENT.

(a) At least thirty (30) days in advance of each annual assessment period, the Executive Board shall establish an annual budget and fix the amount of the annual assessments in advance for the following year. Within thirty (30) days of the adoption of any proposed budget, the Executive Board shall provide to all of the Owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Executive Board shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners of a majority of the Lots reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board.

(b) Until December 31 of the year of the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Two Hundred Seventy and No/100 Dollars (\$270.00) per Lot, and may be collected in monthly installments of Twenty-Two and 50/100 Dollars (\$22.50) per Lot. The maximum annual Assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least 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; provided, however, during any Period of Declarant Control, Declarant must also consent to such action.

(c) The Executive Board may fix the annual assessment at an amount not in excess of the maximum, subject to the provisions of Section 6 of this Article.

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Members entitled to cast at least two-thirds (2/3) of the votes of the Class A and Class B Members who are voting, in person or by proxy, at a meeting duly called for this purpose; provided, however, during the Declarant's Development Period, Declarant must also consent to such action.

SECTION 5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3 AND 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 of this Article shall be sent to all Members not less than fifteen (15) 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 twenty percent (20%) of all the votes of the Class A and Class B Members 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 6. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots other than any variation which may exist by virtue of Limited Common Elements being assigned to particular Lots, and may be collected on a monthly, quarterly or annual basis; provided, however, that so long any Lot is owned by Declarant there shall be no annual or special assessments due as to such Lot.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES. Subject to the limitations in Article IV, Section 6 hereof, the annual assessments provided for herein shall commence as to a Lot on the first day of the month following the date such Lot is made subject to this Declaration. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The due dates shall be established by the Executive Board. 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. In the event of a sale of a Lot by Declarant to a third party, the first annual assessment shall be paid by the buyer at closing and shall be calculated on a prorated basis based upon the number of days remaining in the calendar year of closing.

SECTION 8. WORKING CAPITAL ASSESSMENTS. In addition to the annual assessments authorized above, at the time of the closing of the first sale of each Lot to a purchaser other than Declarant, the purchaser(s) thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) of the then current annual assessment for such Lot established by

the Association. Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to help insure that the Association will have sufficient monies available to meet its initial operational needs, unforeseen expenditures or long-term capital improvements and repairs to the Common Elements. No such payments made into the Working Capital Fund shall be considered advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these Bylaws.

SECTION 9. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate from time-to-time established by the Association not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable late fee, the amount of which shall be established from time to time by the Executive Board of the Association, for assessments not paid within thirty (30) days after the due date and after notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association except rights of access to Lots during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosure of a mortgage or deed of trust on real estate under power of sale, and interest, any late fees, costs and reasonable attorneys' fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Elements or abandonment of his Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

SECTION 10. EFFECT OF DEFAULT IN PAYMENT OF AD VALOREM TAXES OR ASSESSMENTS FOR PUBLIC IMPROVEMENTS BY ASSOCIATION. Upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Elements or assessments for public improvements to the Common Elements, which default shall continue for a period of six (6) months, each Owner of a Lot in the development shall become personally obligated to pay to the taxing or assessing governmental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of Lots in the development. If such sum is not paid by the Owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the Lot of the then Owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law or may elect to foreclose the lien against the Lot of the Owner.

SECTION 11. SUBORDINATION OF THE LIEN FOR ASSESSMENTS TO THE LIEN OF FIRST MORTGAGES. The lien to secure payment of assessments shall be subordinate to the lien of any first mortgage or deed of trust. When the holder of a first mortgage or first deed of trust of record, or other purchaser of a lot obtains title to the lot as a result of

foreclosure of a first mortgage or first deed of trust or deed in lieu of foreclosure, such purchaser and its heirs, successors, and assigns, shall not be liable for the assessments against such Lot which become due prior to the acquisition of title to such Lot by such purchaser. Such unpaid assessments shall be deemed to be common expenses collectible from all Owners including such purchaser, its heirs, successors, and assigns. Such sale or transfer of any Lot which is subject to any such first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which become due prior to such sale or transfer; provided, however, no such sale or transfer shall relieve such Lot or the Owner thereof from liability for any assessments thereafter becoming due or from the lien thereof.

SECTION 12. EXEMPT PROPERTY. All property dedicated to, and accepted by, a public authority and all properties owned by a charitable or non-profit 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.

ARTICLE V

ARCHITECTURAL CONTROL

SECTION 1. IMPROVEMENTS. No improvements, alteration, repair, change in paint color, excavation, change in grade, planting, landscaping, exterior decoration (including, without limitation, yard ornaments, figurines, statues, bird baths, houses and feeders, flags and similar items) or other work which in any way alters the exterior of any Lot or the improvements located thereon from their natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant or an affiliate of Declarant to an Owner other than Declarant or an affiliate of Declarant, shall be commenced, erected or maintained upon any Lot and no building, fence wall, residence or other structure shall be commenced, erected, maintained, improved, altered or removed (all or any of the foregoing hereinafter referred to as a "Modification"), 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 Executive Board of the Association or by the appropriate architectural committee. Proposed Modifications to Lots shall be reviewed by an architectural control committee composed of three (3) or more representatives appointed by a majority vote of those certain members of the Executive Board elected by the Members. Notwithstanding the foregoing, landscaping improvements consisting of plant materials native to the area and commonly used in residential landscaping which do not interfere with the sight lines of motorists at intersections of the streets and/or driveways located within the Properties shall not require approval by the Executive Board of the Association or the Architectural Control Committee. In addition, temporary seasonal exterior decorations shall not require the prior approval of the Executive Board or the Architectural Control Committee, but if any such decorations are determined, in the sole discretion of the appropriate Architectural Control Committee, to be distasteful or otherwise disruptive of the aesthetics or visual harmony of the community, the appropriate Architectural Control Committee may require that such decorations promptly and permanently be removed. In the event that an Owner neglects or fails

