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DECLARATION OF COVENANTS AND RESTRICTIONS  
OF THE SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION

THIS DECLARATION, made this 4<sup>th</sup> day of SEPTEMBER, 1986, by FMRK, Inc., a North Carolina Corporation hereinafter called "Company", and the undersigned property owners (the "Property Owners").

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W I T N E S S E T H

WHEREAS, the Company and the Property Owners are the owners of the real property described in Article II of this Declaration and desire to create thereon a planned development community with representation of residential, commercial, and recreational uses to be known as "Shepherd's Vineyard";

WHEREAS, the Company and the Property Owners desire to provide for the preservation of values and for the maintenance of common facilities and services and for a vehicle for the administration and enforcement of covenants and restrictions;

WHEREAS, the Company has caused or will cause to be incorporated under the laws of the State of North Carolina, a non-profit corporation, Shepherd's Vineyard Community Association, Inc., for the purpose of exercising the functions aforesaid, and which are hereinafter more fully set forth;

NOW, THEREFORE, the Company and the Property Owners declare that the real property described in Article II, and such additions thereto as may hereinafter be made pursuant to Article II hereof, is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to the covenants, restrictions, conditions, easements, charges, assessments ("Assessments"), affirmative obligations, and liens (all hereinafter sometimes referred to as "the Covenants" or the "Covenants and Restrictions") hereinafter set forth.

ARTICLE I  
DEFINITIONS

The following words and terms when used in this Declaration or any supplemental declaration (unless the context shall clearly indicate otherwise) shall have the following meanings:

(a) "Association" shall mean and refer to Shepherd's Vineyard Community Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

(b) "Shepherd's Vineyard" shall mean and refer to the lands in Apex, North Carolina, which are shown as a part of

Shepherd's Vineyard on the Company's Master Plan as revised from time to time.

(c) "Company" shall mean FMRK, Inc., a North Carolina corporation, its successors and assigns.

(d) "Developer" shall mean FMRK, Inc., a North Carolina Corporation, its successors and assigns.

(e) "Affiliate" shall mean any corporation owning more than fifty percent (50%) of the voting stock or which is owned or controlled by the Company or the Developer, and any partnership or joint venture in which the Company or the Developer has more than a fifty percent (50%) or more of the cash flow from such partnership or joint venture.

(f) The "Properties" shall mean and refer to the Existing property described in Article II hereof, and additions thereto, as are subjected to this Declaration or any Supplementary Declaration under the provisions of Article II hereof.

(g) "Residential Lot" shall mean any subdivided parcel of land located within the Properties for which no building permit has been issued by the appropriate governmental authorities and which parcel is intended for use as a site for a Single Family Detached Dwelling, Duplex Unit, or Patio Home (or Zero lot line) as shown upon any recorded final subdivision map or any part of the Properties. No parcel shall, however, be classified as a Residential Lot until the first day of the quarter of the year following after all of the following have occurred:

- (1) Recording of a Plat in the Register of Deeds Office of Wake County, North Carolina, showing such Residential Lot;
- (2) The Lot has been placed on a "Inventory List" (as defined in Section 3(c) of Article V) of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, in those cases where the Lot is owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates.
- (3) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as a Residential Lot in those cases where the Lot is owned by any third party other than the Company, the

Company's Affiliates, the Developer, or the Developer's Affiliates.

(h) "Multiple-Family Tract" shall mean any unimproved parcel of land located within the Properties, intended for development of Attached Residential Units including Townhouses, Condominiums and Apartments as defined and controlled by the applicable zoning for Shepherd's Vineyard. For the purposes of this Declaration, a parcel of land shall not be deemed a "Multiple-Family Tract" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property for Multiple-Family use is recorded in the Register of Deeds Office of Wake County, North Carolina, provided, however, that any property within said parcel of land which also qualified as an "Exempt Property" as defined in paragraph (n) of this Article I shall not be deemed part of said Multiple-Family Tract for the purposes of calculating Assessments or votes. A Multiple-Family Tract, or portions of said Multiple-Family Tract, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in Section 3(d) of Article V.

(i) "Public or Commercial Site" shall mean any unimproved parcel of land within the Properties, intended for use as a site for improvements designed to accommodate commercial, governmental, or business enterprises to serve Residents of Shepherd's Vineyard and/or the public, including, but not limited to: business and professional offices; facilities for the retail sale of goods and services; banks and other financial institutions; social clubs; restaurants; theaters; lounges; indoor and outdoor recreational facilities; hospitals and medical clinics; laboratories and other research and development facilities; commercial warehouses; transportation terminals or stations; automobile parking facilities; gasoline stations; and residential dwelling units within multi-use public or commercial buildings or facilities; provided, however, that a "Public or Commercial Site" shall not include property upon which improvements are to be built which also qualifies as a Multiple-Family Tract, nor shall it include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. For the purposes of this Declaration, a parcel of land shall not be deemed a "Public or Commercial Site" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Public or Commercial Site is recorded in the Register of Deeds Office of Wake County, North Carolina. A Public or Commercial Site, or portions of said Site, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled

discretion of the Board of Directors, as improved properties as defined in Section 3(e) of Article V.

(j) "Development Unit Parcel" shall mean and refer to any parcel or tract of land within the Properties, conveyed by the Company to any third party under Covenants and Restrictions permitting the division of such parcel or tract into smaller land units such as Residential Lots, Multiple-Family Tracts, or Public or Commercial Sites. For the purposes of this Declaration, a parcel of land shall not be deemed a "Development Unit Parcel" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Development Unit Parcel is recorded in the Register of Deeds Office of Wake County, North Carolina provided, however, that a "Development Unit Parcel" shall not include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. A Development Unit Parcel, or portions thereof, shall remain classified as such until further subdivided and classifiable as a Residential Lot(s) or Multiple-Family Tract, or Public or Commercial Site pursuant to Section 3(h) of Article V.

(k) "Unsubdivided Land" shall mean and refer to all land in the Existing Property described in Article II hereof, and additions thereto, as are subjected to this Declaration by any supplemental declaration under the provisions of Article II hereof, which has not been subdivided into and classified as Residential Lots, Multiple-Family Tracts, Public or Commercial Sites, or Development Unit Parcels, through metes and bounds subdivision plats recorded in the Register of Deeds of Wake County, North Carolina provided, however, that "Unsubdivided Land" shall not include any property which also qualifies as "Exempt Property" in paragraph (n) of this Article I. Unsubdivided Land, or portions thereof, shall remain classified as such until subdivided and classifiable as a Residential Lot or Lots, Multiple-Family Tract, Public or Commercial Site, or Development Unit Parcel pursuant to Section 3 of Article V.

(l) "Family Dwelling Unit" shall mean and refer to any improved property or any property formerly classified a Residential Lot for which a building permit has been issued by the appropriate governmental authorities, which property is located within the Properties and intended for use as a Single Family Dwelling, including without limitation, any Single-Family Detached Dwelling, Duplex Unit, Patio Home (or Zero lot line), Condominium Unit, Townhouse Unit, Cooperative Apartment Unit or Apartment Unit located within the Properties.

(m) "Public or Commercial Unit" shall mean and include any improved parcel of land within the Properties which is intended and designed to accommodate public, commercial, and/or

the public, including, but not limited to all those enterprises enumerated in subparagraph (i); provided, however, that a "Public or Commercial Unit" shall not include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. A parcel of land shall not be deemed to be improved until the improvements being constructed on said parcel are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties.

(n) "Exempt Property" shall mean and refer to the following classifications of property within the Properties;

- (1) All land designated on the Master Plan for intended use, or by actual use if applicable, for (i) indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, and the Association.
- (2) All lands and any improvements thereon designated in any way as Common Properties; or Restricted Common Properties;
- (3) All lands and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Properties and Intended Restricted Common Properties;
- (4) All lands designated on the Master Plan or on recorded plats as Open Space or Private Open Space (hereinafter referred to, respectively, as "Open Space Areas") and "Private Open Space Areas"), and any improvements thereon which are defined in subparagraph (1) of this paragraph (n);
- (5) Property which is used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, Restricted Common Properties, Intended Restricted Common Properties, and facilities within Open Space Areas which are defined in subparagraph (1) of this paragraph (n);
- (6) Property which is used for the maintenance, operation, and service of utilities within the Properties;

(o) "Owner shall mean and refer to the Owner as shown by the Real Estate Records in the Register of Deeds Office of Wake County, North Carolina, whether it be one (1) or more persons, firms, associations, corporations, or other legal entities, of fee simple title to any Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or Undivided Land situated upon the Properties but, notwithstanding any applicable theory of a deed of trust, shall not mean or refer to the mortgages or holder of a deed of trust, its successors or assigns, unless and pursuant to foreclosure or a proceeding or deed in lieu of foreclosure; nor shall the term "Owner" mean or refer to any lessee or Tenant of an Owner. In the event that there is recorded in the Office of the Register of Deeds of Wake County, North Carolina, a long-term contract of sale covering any Lot or Parcel of land within the Properties, the Owner of such Lot or Parcel of land shall be the Purchaser under said contract and not the fee simple title holder. A long-term contract of sale shall be one where the Purchaser is required to make payments for the Property or a period extending beyond nine (9) months from the date of the contract and where the Purchaser does not receive title to the Property until all such payments are made, although the Purchaser is given the use of said Property.

(p) "Tenant" shall mean and refer to the lessee under a written agreement for the rent and hire of a Family Dwelling Unit or Public or Commercial Unit in Shepherd's Vineyard.

(q) "Resident" shall mean and refer to each Owner and Tenant of a Family Dwelling Unit who resides in Shepherd's Vineyard.

(r) "Member" shall mean and refer to all those Owners and Tenants who are Members of the Association as defined in Section 1 of Article III.

(s) "Master Plan" shall mean and refer to the drawing which represents the conceptual plan for the future development of Shepherd's Vineyard. Since the concept of the future development of Shepherd's Vineyard is subject to continuing revision and change by the Company, present and future references to the "Master Plan" shall be references to the latest revision thereof.

(t) "Intended for Use" shall mean the use intended for various parcels within the Properties as shown on the Master Plan of Shepherd's Vineyard prepared by the Company as the same may be revised from time to time by the Company, or the use to which any particular parcel of land is restricted by Covenants

expressly set forth or incorporated by reference in deeds by which the Company has conveyed the property.

(u) "Common Properties" shall mean and refer to those tracts of land with all improvements thereon which are deeded or leased to the Association and designated in said deed or lease as "Common Properties." The term "Common Properties" shall also include any personal property acquired or leased by the Association if said property is designated a "Common Property." All Common Properties are to be devoted to and intended for the common use and enjoyment of the Members of the Association, their guests, and visiting members of the general public (to the extent permitted by the Board of Directors of the Association) subject to the fee schedules and operating rules adopted by the Association. Common Properties shall not include those tracts of land falling within the definition of "Restricted Common Properties" set forth below.

(v) "Restricted Common Properties" shall mean and refer to those tracts of land with all improvements thereon which are designated as "Common Properties" or "Common Area" on any map of a portion of the Property which is under the control and jurisdiction of a "Sub-Association", as hereinafter defined, and which is reserved or restricted for the use of members of such Sub-Association.

(w) "Intended Common Property" shall mean and refer to those tracts of land and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey said property to the Association as a Common Property.

(x) "Intended Restricted Common Property" shall mean and refer to those tracts of land and any improvements thereon committed by the Company to become Restricted Common Property.

(y) "Referendum" shall mean and refer to the power of all or some specific portion of the Members to vote by mailed ballots on certain actions by the Board of Directors of the Association more particularly set forth herein. In the event fifty-one (51%) percent of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members, provided, however, that if a higher or lower percentage required to "pass" shall be specifically expressed herein, that higher or lower percentage shall control in that instance.

(z) "Sub-Associations" shall be North Carolina non-profit corporations established by developers of places or portions of the Properties requiring an association to manage

the affairs of its members and properties owned by or under the control of such Sub-Association pursuant to the provisions of Declaration of Covenants and Conditions applicable only to such areas, the form, content and provisions of which shall be subject to the review and approval of the Company.

(aa) "Neighborhood Areas" shall mean various areas within Shepherd's Vineyard, each of which have been subjected to Additional Restrictive Covenants applied only to such area.

(bb) "Neighborhood Covenants" shall mean the additional Restrictive Covenants applicable only to a particular Neighborhood Area, the form, content and provisions of which shall be subject to the review and approval of the Company.

(cc) "Board of Directors" shall mean those persons elected or appointed to act collectively as the directors of the Association.

(dd) "Bylaws" shall mean the bylaws of the Association as they now or hereafter exist.

(ee) "INSTITUTIONAL LENDER" shall mean any bank, insurance company, trust company, real estate investment trust, savings and loan association, pension fund, or other first mortgage lender holding a first mortgage or deed of trust on any of the Property.

(ff) "Multiple-Family Dwelling Unit" shall mean any Attached Residential Units including townhouses, condominiums and apartments.

(gg) "Apartment Unit" shall mean any Attached Residential Units not for sale as individual units.

## ARTICLE II EXISTING PROPERTY AND ADDITIONS

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied, and used subject to these Covenants is described as follows:

All that tract or parcel of land, situate, lying and being in Wake County, North Carolina, which is more particularly described in Exhibit "A" attached hereto and by specific reference made a part hereof.

All of the real property hereinabove described shall sometimes be referred to herein as the "Existing Property". The Company intends to develop the Existing Property in accordance

with a Master Plan prepared in its Planning Department and placed on display in its Reception and Sales Office, and other areas. The Company reserves the right to review and modify the Master Plan at its sole option from time to time based upon its continuing research and design program. The Master Plan shall not bind the Company, its successors and assigns, to adhere to the Master Plan in the development of the land shown thereon. Subject to its right to modify the Master Plan as stated herein, the Company shall convey to the Association certain properties designated on the Master Plan as properties which may be transferred to the Association, as, in the reasonable exercise of its discretion, it so chooses without regard to the relative location of such portions or sections within the overall plan. Once conveyed to the Association, these properties shall become Common Properties. The Company shall not be required to follow any predetermined sequence or order of improvements and development; and, it may bring within the plan of these Covenants additional lands, and develop the same before completing the development of the Existing Property. Other than as stated in this paragraph, the Company shall have full power to add to, subtract from, or make changes in the Master Plan regardless of the fact that such actions may alter the relative maximum potential voting strength of the various types of membership of the Association.

Section 2. Additions to Existing Property. Additional lands may become subject to, but not limited to, this Declaration in the following manner;

(a) Additions. During the period of development, which shall by definition extend from date to January 1, 1993, the Company, its successors and assigns, shall have the right, without further consent of the Association, by Supplementary Declaration, to bring within the plan and operation of this Declaration additional property. Such property may be subjected to this Declaration as one parcel or as several smaller parcels at different times. The additions of such property authorized under this paragraph may increase the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties and, therefore, may alter the relative maximum potential voting strength of the various types of membership of the Association.

The addition authorized under this and the succeeding subsection shall be made by recording a Supplementary Declaration of Covenants and Restrictions with respect to the additional property which shall extend the operation and effect of the Covenants and Restrictions of this Declaration to such additional property. The Supplementary Declaration may contain such complementary additions and/or modifications of the Covenants

and Restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Company, to reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such modifications shall have no effect upon the Property described in Section 1, Article II above, or upon any other additions to the Properties.

(b) Other Additions. Upon approval in writing of the Association pursuant to a simple majority of the vote of those present at a duly called meeting, the owner of any property who desires to add such property to the plan and operation of this Declaration and to subject it to the jurisdiction of the Association, shall record a Supplementary Declaration of Covenants and Restrictions with respect to the additional property which shall extend the operation and effect of the Covenants and Restrictions of this Declaration to such additional property. The additions of such property authorized under this paragraph may increase the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties, and therefore, may alter the relative maximum potential voting strength of the various types of membership of the Association.

The Supplementary Declaration may contain such complementary additions and/or modifications of the Covenants and Restrictions contained in this Declaration as may be necessary or convenient which are not inconsistent with the plan or this Declaration, but such modifications shall have no effect upon the Property described in Section 1, Article II above, or upon any other additions to the Properties.

(c) Merger. Upon merger or consolidation of the Association with another association, as provided for in the By-Laws of the Association, its property rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or in the alternative, the properties, rights and obligations of another association may, by operation of law, be added to the properties of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Existing Property, together with the Covenants and Restrictions established upon any other properties, as one plan. No merger or consolidation shall effect any revocation, within the Existing Property, including, without limitation, the maximum limits on Assessments and dues of the Association, or any other matter substantially affecting the interests of Members of the Association, or Institutional Lender.

(d) Additional lands which become subject to this Declaration under the provisions of this Section II may in the future be referred to as a part of Shepherd's Vineyard. Also,

the name Shepherd's Vineyard may be used by the Company to refer to other nearby properties not subject to this Declaration.

ARTICLE III  
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. The Company shall be a Member of the Association, and a creditor who acquires title to the Properties or any portion thereof pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure shall be a Member of the Association. Every Owner shall be a Member of the Association. The Association may issue to each Member a membership card which shall expire upon sale by an Owner of his property in Shepherd's Vineyard. Owners who are exempt from the payment of Assessments shall not be Members of the Association unless otherwise specified herein.

Section 2. Voting Rights. The Association shall have six (6) types of regular voting membership, and one (1) type of special voting membership which provides the Company, its successors and assigns, with the power to elect a portion of the Board of Directors:

TYPE "A": Type "A" Members shall be all Owners, including the Company, its successors and assigns, of Residential Lots and Family Dwelling Units (excluding Apartments). A Type "A" Member shall be entitled to two (2) votes for each Family Dwelling Unit which he owns.

TYPE "A-1": Type "A-1" Members shall be all Owners including, the company, its successors and assigns, of Apartment units. A Type "A-1" Member shall be entitled to one (1) vote for each Apartment Unit.

TYPE "B": Type "B" Members shall be all those Owners, including the Company, its successors and assigns, of platted and Multiple-Family Tracts. A Type "B" Member shall be entitled to one (1) vote for each One Hundred (\$100.00) Dollars in Annual Assessments paid to the Association. In computing the number of votes to which a Type "B" Member shall be entitled, the amount of the Assessment paid shall be rounded to the nearest One Hundred (\$100.00) Dollars.

TYPE "C": Type "C" Members shall be all those Owners, including the Company, its successors and assigns, of platted Public or Commercial Tracts. A Type "C" Member shall be entitled to one (1) vote for each One Hundred (\$100.00) Dollars in Annual Assessments paid to the Association, but shall not be entitled to use any of the "Common Areas". In computing the number of

votes to which a Type "C" member shall be entitled, the amount of the Assessment paid shall be rounded to the nearest One Hundred (\$100.00) Dollars.

TYPE "C-1": Type "C-1" Members shall be all those Owners, including the Company, its successors and assigns, of Public or commercial Units. A type "C-1" Member shall be entitled to one (1) vote for each One Hundred (\$100.00) Dollars in Annual Assessments paid to the Association, but shall not be entitled to use any of the "Common Areas." In computing the number of votes to which a Type "C-1" Member shall be entitled, the amount of the Assessment paid shall be rounded to the nearest One Hundred (\$100.00) Dollars.

TYPE "D": Type "D" Members shall include all those Owners, including the Company, its successors and assigns, of Unsubdivided Lands and Development Unit Parcels held and intended for future development by the Company or a third party. A type "D" Member shall be entitled to one (1) vote for each One Hundred (\$100.00) Dollars of Annual Assessments paid to the Association. In computing the number of votes to which a Type "D" member shall be entitled, the amount of the Assessment paid shall be rounded to the nearest One Hundred (\$100.00) Dollars.

TYPE "E": The Type "E" Member shall be the Company, its successors and assigns. The Type "E" Member shall be entitled to elect a portion of the Board of Directors as set out in Section 4 of this Article III.

Payment of Special Assessments shall not entitle type "A", "A-1", "B", "C", "C-1" and "D" Members to additional votes.

When any property entitling the Owner to membership as a Type "A", "A-1", "B", "C", "C-1", and "D" Member of the Association is owned of record in the name of two (2) or more persons or entities, whether fiduciaries, joint tenants, tenants in common, tenants in partnership or in any other manner of joint or common ownership, or if two (2) or more persons or entities have the same fiduciary relationship respecting the same property, then unless the instrument or order appointing them or creating the tenancy otherwise directs and it or a copy thereof is filed with the Secretary of the Association, their acts with respect to voting shall have the following effect:

- (1) If only one (1) votes, in person or by proxy, his act shall bind all;
- (2) If more than one (1) vote, in person or by proxy, the act of the majority so voting shall bind all;

- (3) If more than one (1) vote, in person or by proxy, but the vote is evenly split on any particular matter, each fraction shall be entitled to its proportionate share of the vote or votes;
- (4) If the instrument or order filed with the Secretary of the Association shows that any such Tenancy is held in unequal interest, a majority or even split under subparagraphs (2) and (3) immediately above shall be a majority or even split in interest in the property to which the vote(s) is attributable;
- (5) The principles of this paragraph shall apply, insofar as possible, to execution of proxies, waivers, consents or objections, and for the purpose of ascertaining the presence of a quorum.

The voting rights of any Owner may be assigned by said Owner to his lessee; provided, however, that the Owner may not assign to such lessee any vote or votes not attributable to the property actually leased by such lessee. The Type "A", "A-1", "B", and "D" Members are sometimes hereinafter collectively referred to as the "Members".

Section 3. Governance. The Association shall be governed by a Board of Directors consisting of three (3), five (5), seven (7) or nine (9) Members. The number and term of such Directors is to be determined in accordance with the provisions of the By-Laws of the Association. Except as may be otherwise provided in the Articles of Incorporation, there shall be two (2) classes of Directors: Class I Directors shall be elected by the Type "A", "A-1", "B", "C", "C-1", and "D" Members, and Class II Directors shall be elected by the Type "E" Members.

Section 4. Election of The Board of Directors. (a) Each Member of Type "A", "A-1", "B", "C", "C-1" and "D" Membership classes shall be entitled to as many votes as equals the total number of votes he is entitled to based on his Ownership of or of votes he is entitled to based on his Ownership of or Tenancy in one (1) or more of the various classifications of property as computed by the formula set out hereinabove in Section 2 hereof. Each Member may cast the total number of votes to which he is entitled for each vacancy to be filled by a Class I Director. Cumulative voting shall not be allowed. Members, except the Type "E" Membership, are divided into classes for the purpose of computing voting rights and shall not vote as a class.

(b) The Type "A", "A-1", "B", "C", "C-1" and "D" Members shall elect the Class I Director(s), and the Type "E"

Member shall elect the Class II Director(s) according to the following formula:

- (1) The number of Class I Directors shall be determined by (A) dividing the number of Residential Lots and Family Dwelling Units owned by Type "A" and "A-1" Members by the cumulative maximum number of Residential Lots and Family Dwelling Units authorized by the Zoning Ordinances of the Town of Apex as of July 1, 1986 and (B) then multiplying the resulting quotient by the total number of Directors, and (C) rounding the result to the nearest whole number, e.g., 1.49 = 1, and 1.50 = 2.
- (2) The number of Class II Directors shall be determined by subtracting the number of Class I Directors from the total number of Directors. The Class II Directors shall be elected by the Type "E" Member.
- (3) For the purposes of this formula, the number of Residential Lots and Family Dwelling Units owned by Type "A" and Type "A-1" Members and the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties shall be determined by the Board of Directors as of the date on which notice of the meeting of the Members at which the Board of Directors is to be elected is mailed.

Section 5. Members to Have Power of Referendum in Certain Instances. Where specifically provided for herein, the Members, or some specific portion thereof, shall have the power to approve or reject certain actions proposed to be taken by the Association by Referendum. In the event fifty-one (51%) percent, or more, of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members; provided, however, that if a higher percentage vote required to "pass" shall be specifically expressed herein, that higher percentage shall control in that instance. The Board of Directors may not undertake any action requiring a Referendum without complying with the provisions hereof. At any time that the Type "A", "A-1", "B", "C", "C-1" and "D" members have the ability to elect a majority of the Board of Directors, the Members may require a Referendum on any action of the Board of Directors by presenting to the Secretary of the Board within thirty (30) days of the taking of such action or ratification by the Board of its

intent to take such action a petition signed by not less than twenty-five (25%) percent of the Members.

Section 6. Quorum Required for Any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any action which is subject to a vote of the members at an open meeting of the Association (as distinguished from the Referendum) shall be as follows:

(a) The first time a meeting of the Members of the Association is called to vote on (i) an increase in the Maximum Regular Annual Assessment greater than that provided for by subparagraph (o) of Section 3 of Article V hereof, (ii) a Special Assessment as provided for by Section 4 of Article V hereof, (iii) the gift or sale of any parcel of land and improvements thereon designated as a Common Property or Restricted Common Property as provided for by subparagraph (f) of Section 4 of Article IV hereof, (iv) an Amendment to this Declaration as provided for by Section 2 of Article VIII hereof, or (v) the termination of this Declaration as provided by Section 1 of Article VIII hereof, the presence at the meeting of Members or proxies entitled to cast sixty (60%) percent of the total vote of the Membership required for such action shall constitute a quorum.

(b) The first time a meeting of the Members of the Association is called to vote on any action proposed to be taken by the Association, other than that described in subparagraph (a) above, the presence at the meeting of Members or proxies entitled to cast thirty (30%) percent of the total vote of the Membership shall constitute a quorum.

If the required quorum is not present at any meeting described in subparagraphs (a) or (b) above, with the exception of any meeting called to vote on the termination of this Declaration described in subparagraph (a(v)) above, another meeting or meetings may be called subject to the giving of proper notice and the required quorum at such subsequent meeting or meetings shall be one-half (1/2) of the required quorum at the preceding meeting.

Unless otherwise provided, any reference hereafter to "votes cast at a duly called meeting" shall be construed to be subject to the quorum requirements established by this Article III, Section 6, and any other requirements for such "duly called meeting" which may be established by the By-Laws of the Association. For the purpose of this section, "proper notice" shall be deemed to be given when given each Member not less than thirty (30) days prior to the date of the meeting at which any proposed action is to be considered.

Section 7. Proxies. All Members of the Association may vote and transact business at any meeting of the Association by proxy authorized in writing, provided, however, that Proxies shall not be required for any action which is subject to a Referendum, in which case the votes of all the Members polled shall be made by specifically provided ballots mailed or delivered to the Association.

Section 8.. Ballots by Mail. When required by the Board of Directors, there shall be sent with notices of regular or special meetings of the Association, a statement of certain motions to be introduced for vote for the Members and a ballot on which each Member may vote for or against each such motion. Each ballot which is presented at such meeting shall be counted in calculating the quorum requirements set out in Section 6 of this Article III. Provided, however, such ballots shall not be counted in determining whether a quorum is present to vote upon motions not appearing on the ballot.

#### ARTICLE IV

#### PROPERTY RIGHTS IN THE COMMON PROPERTIES:

Section 1. Members' Easements of Enjoyment in Common Properties. Subject to the provisions of these Covenants, the rules and regulations of the Association and any fees or charges established by the Association, every Type "A", "A-1", "B", "D", and "E" Member, and every guest and tenant of such Type "A", "A-1", "B", "D" and "E" Member, shall have a right of easement of enjoyment in and to the Common Properties, and such easement shall be appurtenant to and shall pass with the title of every Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Development Unit Parcel, or any Unsubdivided Land.

Employees of the Type "E" Member and its agent, shall have access to and enjoyment of the Common Properties subject to rules and regulations and user fees established by the Board of Directors.

A Member's spouse, parent, and children who reside with such Member in Shepherd's Vineyard shall have the same easement of enjoyment hereunder as a Member.

In those instances where a Residential Lot or Family Dwelling Unit or other property in Shepherd's Vineyard is owned or occupied as a Tenant by three (3) or more persons (who do not have the relationship of spouse, parent, or child, one to the other) or by a corporation, such joint Owners and corporations shall annually appoint one (1) person as the "primary Member." Such Primary Member shall have the same easement of enjoyment in the Common Properties as Members who own or occupy such property singularly. The remaining Joint Members and Tenants and the

principal officers of such corporation shall be entitled to an easement of enjoyment in the Common Properties by:

- (1) Paying the same use fees as guests of Members,  
or
- (2) By paying to the Association annually an amount equal to the Annual Assessment charged against the property in which he or she owns a fractional interest or occupies as a Tenant. The payment of such amount shall not entitle such remaining Joint Members, Tenants or principal officers to additional votes in the Association.

As determined in the sole and uncontrolled discretion of the Board of Directors, certain Owners of Exempt Properties, and certain Tenants and guests, may have access to and enjoyment of the Common Properties subject to rules and regulations and user fees established by the Board of Directors.

Section 2. Title to Common Properties. (a) The Company covenants for itself, its successors and assigns, that it shall convey by deed to the Association, at no cost to the Association, and subject to (i) this Declaration of Covenants and Restrictions, (ii) all other restrictions and limitations of record at the time of conveyance, (iii) any restrictions, limitations conditions, or determinations as to the purposes and uses of the conveyed properties as stipulated in said deed, and (iv) any commitments by the Company to construct certain improvements thereon as stipulated in said deed, those Intended Common Properties described in Section 4 of this Article IV hereof, and any other parcels of land and any improvements thereon now or hereafter designated as Intended Common Properties; and, upon such conveyance, such parcels of land and any improvements thereon shall become Common Properties.

(b) The Association shall not refuse the designation of any parcel of land or any improvements thereon as an Intended Common Property, and, further, the Association shall not refuse to accept any Intended Common Property as a Common Property at such time as the Company, in its sole and uncontrolled discretion, deems it advisable to convey such property to the Association.

(c) Upon conveyance to the Association, and/or the subjection thereof to the provisions of this Declaration, of any parcel of land and any improvements thereon as a Common Property by the Company or any other party, the Association shall immediately become responsible for all maintenance and operation of said property, and for such additional construction of improvements thereon as may be authorized by the Association's Board of Directors. It is the purpose of this provision to provide that

the Association shall be responsible for all maintenance and operation of all Common Properties.

(d) Notwithstanding anything in the foregoing to the contrary, the Company reserves unto itself, its successors and assigns, and its agents, the right to enter upon any Intended Common Property or Common Property, for the purpose of constructing indoor and outdoor recreational and community facilities thereon, including, but not limited to, tennis courts, platform tennis courts, handball courts, squash courts, basketball courts, swimming pools, and any showers, locker rooms, or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, parks, wildlife conversancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associated with all such uses. The provisions of this paragraph shall in no way create any obligation on the part of the Company to construct any such facilities on said properties.

(e) Natural areas, trail areas, landscape areas within public rights-of-way, etc. may be designated from time to time as Intended Common Properties, and shall be conveyed in large or small parcels from time to time after the Company has completed the surveying and platting of all adjacent subdivisions for Single Family Detached, Single Family Duplex, and Patio Home (or Zero Lot Line) housing areas, Development Unit Parcels which may abut such natural areas, trail areas, etc. Written notification designating such properties as Intended Common Properties will not normally show metes and bounds and, in any event, the metes and bounds as shown on the recorded plat and deed to the Association shall govern.

(f) Notwithstanding anything in the foregoing to the contrary, the Company shall not be required to convey the above referred to parcels where such conveyance would be prohibited under agreements existing on the date hereof, but in such case, shall be allowed to postpone such conveyance, without penalty, until such time as said prohibition may be nullified.

Section 3. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in accordance with its By-Laws, to borrow money from the Company or any lender for the purpose of improving and/or maintaining the Common Properties, and providing services authorized herein and in aid thereof to mortgage said properties provided, however, that any such mortgage is with the prior consent of two-thirds of the Members

of the Association, which consent may be evidenced by petition or by an affirmative vote of two-thirds of the Members voting in person or by proxy at a duly called meeting of the Association; and

(b) The right of the Association to take such steps as are reasonably necessary to protect the above-described properties against foreclosures;

(c) The right of the Association to suspend the rights and easements of enjoyment of any Member or Tenant or guest or any Member for any period during which the payment of any Assessment against property owned by such Member remains delinquent, and for any period not to exceed sixty (60) days for any infraction of its published rules and regulations, it being understood that any suspension for either non-payment of any Assessment or a breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Member's obligation to pay the Assessment, and, provided that the Association shall not suspend the right to use any roads belonging to the Association subject to the rules, regulations and fees, if any, established by the Association for such use.

(d) The right of the Association to charge reasonable admission and other fees for the use of recreational facilities (if any) and services on the Common Properties.

(e) The right of the Company or the Association by its Board of Directors to dedicate or transfer to any public or private utility, utility or drainage easements on any part of the Common Properties; and

(f) The right of the Association to give or sell all or any part of the Common Properties, including lease-hold interests, subject to (i) the provisions of this Declaration of Covenants and Restrictions and (ii) all other restrictions and limitations of record at the time of conveyance, to any public agency, authority, public service district, utility, or private concern for such purposes and subject to such conditions as may be agreed to by the Members, provided, however, that no such gift or sale of any parcel of land and improvements thereon, or determination as to the purposes or as to the conditions thereof, shall be effective unless such dedication, transfers, and determinations as to purposes and conditions shall be authorized by the affirmative vote of three-fourths (3/4) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(a), and unless written notice of the meeting and of the proposed agreement and action thereunder is sent to every Member of the Association at least thirty (30) days prior to such meeting. A true copy of such resolution together with a certificate of the

results of the vote taken thereon shall be made and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Association and such certificate shall be annexed to any instrument of dedication or transfer of any parcel of land and improvements thereon affecting the Common Properties prior to the recording hereof. Such certificates shall be conclusive evidence of authorization by the membership. The gift or sale of any personal property owned by the Association shall be determined by the Board of Directors in its sole and uncontrolled discretion.

(g) The right of the Company or the Association to convey all of part of the Common Properties and the Intended Common Properties to the Town of Apex.

Section 4. The Company covenants for itself, its successors and assigns, that, prior to January 1, 1993, it shall convey to the Association, at no cost to the Association, and subject to all the restrictions and limitations of the various Articles of this Declaration and any other restrictions and limitations of record, all properties designated as Intended Common Properties except such designated properties that are conveyed to the Town of Apex.

#### ARTICLE V COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Company covenants, and each Owner of any Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or Unsubdivided Land located within the Properties, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to all the terms and provisions of this Declaration and to pay to the Association: (a) Annual Assessments or charges; and (b) Special Assessments or charges for the purposes set forth in this Article, such Assessments to be fixed, established and collected from time to time as hereinafter provided. The Annual and Special Assessments, together with such interest thereon and costs of collection thereof including a reasonable attorney's fee as hereinafter provided, shall be a charge and continuing lien on the real property and improvements thereon against which each such Assessment is made, and shall also be the personal obligation of the Owner of such property at the time when the Assessment first became due and payable. Co-owners shall be jointly and severally liable for the entire amount of the Assessment.

Section 2. Purpose of Assessments. The Annual Assessments levied by the Association shall be used exclusively for the improvement, maintenance, enhancement, enlargement, and

operation of the Common Properties and Intended Common Properties, and to provide services which the Association is authorized to provide.

Section 3. Application of "Maximum" Assessment. The Maximum Regular Annual Assessment, as set forth on Schedule A, and as is automatically increased annually pursuant to the provisions of subparagraph (o) below, shall be levied by the Association. If, however, the Board of Directors of the Association, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Assessment less than the Maximum Regular Annual Assessment, it may levy such lesser Assessment; provided, however, so long as the company is engaged in the development of properties which are subject to the terms of this Declaration, the Association may not reduce Assessments below those set out on Schedule A without the written consent of the Company. The levy of an Assessment less than the Maximum Regular Annual Assessment in one (1) year shall not affect the Board's right to levy an Annual Assessment equal to the Maximum Regular Annual Assessment in subsequent years.

If the Board of Directors shall levy less than the Maximum Regular Annual Assessment for any Assessment year and thereafter, during such Assessment year, determine that the important and essential functions of the Association cannot be funded by such lesser Assessment, the Board may, by majority vote, levy a Supplemental Assessment. In no event shall the sum of the initial and Supplemental Assessments for that year exceed the applicable Maximum Regular Annual Assessment.

If the Board of Directors, by majority vote, determines that the important and essential functions of the Association will not be properly funded in any one (1) year, or in any one (1) year and all subsequent years, it may request approval of a specified increase in the Maximum Regular Annual Assessment for either one (1) year only, or for that one (1) year and all subsequent years, by the vote of the Members at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(a). Should the Members vote in favor of such proposed increase, it shall be deemed approved and may be levied by the Board. An increase in the Maximum Regular Annual Assessment for one (1) year only pursuant to the provisions hereof shall in no way affect the Maximum Regular Annual Assessment for subsequent years or increases thereof in subsequent years.

(a) From and after July 1, 1986, the Maximum Regular Annual Assessment shall be the sums calculated in accordance with the Assessment Schedule set out on Schedule A, as shall be automatically increased in each instance by percentage as set

forth in Section 3(o) of this Article, and as may be increased pursuant to the provisions set forth immediately above.

(b) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Residential Lot until the first day of the first month following after all of the following have occurred:

- (1) Recording of a Plat in the Register of Deeds Office of Wake County, North Carolina, showing such Residential Lot;
- (2) Approval by the Office of Interstate Land Sales Registration or successor agencies permitting such Residential Lot to be offered for sale in those cases where registration is required by law.
- (3) The Lot has been placed on an "Inventory List" of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates in those cases where the Lot is owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates.
- (4) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as a Residential Lot in those cases where the Lot is owned by any third party other than the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates.

A Residential Lot shall be deemed to be unimproved and shall not be deemed a Family Dwelling Unit until such time as a building permit has been issued for said property by the appropriate governmental authorities.

(c) "Inventory List" as used in these Covenants shall mean and refer to a listing of those Residential Lots owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates which are available for sale to the purchasers, and which listing is submitted to the Association. The Company reserves for itself, its Affiliates, the Developer, and the Developer's Affiliates the right to make additions and deletions from this listing one (1) day prior to the commencement of each quarter.

(d) Property shall not be classified for the purposes of these Covenants and these Annual Assessments as a Multiple-Family

Tract until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property for Multiple-Family use is recorded in the Register of Deeds Office of Wake County, North Carolina; provided, however, that any property within said parcel of land which also qualifies as an Exempt Property as defined in Section 12 of this Article V shall not be deemed part of said Multiple-Family Tract for the purposes of calculating Assessments or votes. A Multiple-Family Tract, or portions of said Multiple-Family Tract, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties.

In those cases where the improvements intended on a Multiple-Family Tract include more than one building or structure containing attached residential units, each building or structure shall be deemed to be unimproved until that building or structure is sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties, at which time each and every Attached Residential Unit within said building or structure shall be deemed a Family Dwelling Unit for the purpose of Assessments; and, in addition, the remaining number of acres to be assessed as a Multiple-Family Tract shall be calculated by (A) dividing (i) the number of Family Dwelling Units on the property by (ii) the maximum number of Family Dwelling Units authorized by the Company in the original Multiple-Family Tract, and (B) then multiplying the resulting quotient by the total number of acres in the original Multiple-Family tract.

At such time as all attached residential units intended for development on a Multiple-Family Tract have been classified as Family Dwelling Units, and the Owner of said Multiple-Family Tract is able to warrant to the satisfaction of the Board of Directors that (i) no further development of Attached Residential Units shall take place upon said Tract, and (ii) any remaining unimproved acres within said Tract shall not be sold to any other third party for the further development of Attached Residential Units, such Owner may apply to the Board of Directors for the release of any remaining unimproved acres within said Tract from the classification of a Multiple-Family Tract, and the Board of Directors may, in its sole and uncontrolled discretion, grant such release.

(e) Property shall not be classified for the purposes of these Covenants and these Annual Assessments as a Public or Commercial Site until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Public or Commercial Site is recorded in the Register of Deeds Office of Wake County, North Carolina; provided,

however, that any property within said parcel of land which also qualifies as an Exempt Property as defined in Section 12 of this Article V shall not be deemed part of said Public or Commercial Site for the purposes of calculating Assessments or votes. A Public or Commercial Site, or portions of said Site, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties.

In those cases where the improvements intended on a Public or Commercial Site include more than one building, structure, or phase or group of improved units, each building, structure, or phase or group of units shall be deemed to be unimproved until that building, structure, or phase or group of units is sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improve properties, at which time each and every improved unit within said building, structure, or phase or group of units shall be deemed a Public or Commercial Unit or a Family Dwelling Unit for the purpose of Assessments; and, in addition, the remaining number of acres to be assessed as a Public or Commercial Site shall be calculated by subtracting (i) the number of acres within the Site upon which Public or Commercial Units and Family Dwelling Units have actually been developed from (ii) the total number of acres in the original Public or Commercial Site.

At such time as all public or commercial buildings and facilities and all residential dwelling units intended for development on a Public or Commercial Site have been classified as Public or Commercial Units or Family Dwelling Units, and the Owner of said Public or Commercial Site is able to warrant to the satisfaction of the Board of Directors that (i) no further development of Public or Commercial Units or Family Dwelling Units shall take place on said Site, and (ii) any remaining unimproved acres within said Site shall not be sold to any other third party for further development of Public or Commercial Units or Family Dwelling Units, then said owner may apply to the Board of Directors for the release of any remaining acres in said Site from the classification of a Public or Commercial Site, and the Board of Directors may, in its sole and uncontrolled discretion, grant such release.

(f) Property shall not be classified for purposes of these Covenants and the Annual Assessments as a Family Dwelling Unit until (i) the improvements being constructed on a Multiple-Family Tract or Public or Commercial Site are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in subparagraphs (d) and (e) hereinabove, or

(ii) a building permit has been issued by the appropriate governmental authorities for a property formerly deemed a Residential Lot as defined in subparagraph (b) hereinabove.

(g) Property shall not be classified for purposes of these Covenants and the Annual Assessments as a Public or Commercial Unit until the improvements being constructed on a Public or Commercial Site are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in subparagraph (e) hereinabove.

(h) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Development Unit Parcel until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Development Unit Parcel is recorded in the Register of Deeds Office in Wake County, North Carolina; provided, however, that any property within said parcel of land which also qualifies as an Exempt Property as defined in Section 12 of this Article V shall not be deemed part of said Development Unit Parcel for the purpose of calculating Assessments or votes. At such time as a Development Unit Parcel, or a portion of said Development Unit Parcel, is further subdivided and classifiable as a Residential Lot or Lots, Multiple-Family Tract, or Public or Commercial Site, said property or such portion of said property shall then be classified as a Residential Lot or Lots, Multiple-Family Tract, or Public or Commercial Site; and, in addition, the remaining number of acres to be assessed as a Development Unit Parcel shall be calculated by subtracting (i) the number of acres within the property which have been classified as a Residential Lot or Lots, Multiple-Family Tract, or Public or Commercial Site from (ii) the total number of acres within the original Development Unit Parcel.

(i) For purposes of these Covenants and the Annual Assessments, all properties which have not been subdivided into and classified as Residential Lots, Multiple-Family Tracts, Public or Commercial Sites, or Development Unit Parcels shall be classified as Unsubdivided Land; provided, however, that Unsubdivided Land shall not include any property which also qualifies as Exempt Property as defined in Section 12 of this Article V.

(j) Assessments shall be billed annually, quarterly, monthly, or on such other basis as may be determined by the Board of Directors. The billing schedule shall be the same for all properties of a specified category; however, the Board of Directors, in its discretion, may establish different schedules for the billing of Assessments due from different categories of property. All Assessment bills shall be due and payable ninety (90), thirty (30) or fifteen (15) days from the date of mailing

of same as determined by the Board of Directors, provided, however, that if the Board of Directors elects to utilize a billing agent, the billing agent shall set the date on which Assessment bills shall be due and payable.

(k) The Board of Directors may authorize a billing agent to collect the Assessments provided for herein.

(l) The Owner of any assessable property which changes from one category to another during an Assessment year shall be billed an additional amount for the remaining full quarters of such year to reflect the category change.

(m) The Board of Directors shall determine the square footage of floor space to be assessed by the Association for each Public or Commercial Unit. In certain extraordinary circumstances, as in the case of an indoor tennis facility, skating rink, swimming pool, gymnasium, or certain storage areas where an unusually large number of square feet of floor space is required within such facility, the Board of Directors may, in its sole and uncontrolled discretion, exempt from Assessment a portion of the square footage of floor space of such facility.

(n) Changes during an Assessment year in square footage of floor space to be assessed by the Association for a Public or Commercial Unit shall be reflected in the billing for the remaining full quarters of the Assessment year.

(o) From and after December 31, 1986, the Maximum Regular Annual Assessment shall be automatically increased each year by an amount of ten (10%) percent per year over the previous year.

(p) Any increase in the Maximum Regular Annual Assessment shall be made in such a manner that the proportionate increase in such Assessment is the same for Owners of Residential Lots, Family Dwelling Units, Multiple-Family Tracts, Public or Commercial Sites, Public or Commercial Units, Development Unit Parcels, or Unsubdivided Land. Any time the actual Assessment levied by the Board of Directors of the Association is less than the Maximum Regular Annual Assessment, such decrease shall be proportionate among the Owners of Residential Lots, Family Dwelling Units, Multiple-Family Tracts, Public or Commercial Sites, Public or Commercial Units, Development Unit Parcels, and Unsubdivided Land. The decrease or increase applicable to each class of Owners of the various classes of property may be made disproportionately by the favorable vote of seventy-five (75%) percent of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6 hereof, and by seventy-five (75%) percent

of the votes cast at said meeting by the Members of the classes whose proportionate share is being raised.

Section 4. Special Assessments for Improvements and Additions. In addition to the Maximum Regular Annual Assessments authorized by Section 3 hereof, the Association may levy Special Assessments for the following purposes:

(a) Construction, reconstruction, repair, or replacement of capital improvements upon the Common Properties, Restricted Common Properties, Intended Common Properties, or Intended Restricted Common Properties, including the necessary fixtures and personal property related thereto;

(b) For additions to the Common Properties or Restricted Common Properties;

(c) To provide for the necessary facilities and equipment to offer the services authorized herein;

(d) To repay any loan made to the Association to enable it to perform the duties and functions authorized herein;

(e) Such Special Assessment, before being charged, must have received the approval of the Members of the Association by the favorable vote of fifty-one (51%) percent of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(a). The notice of such meeting shall include one (1) statement from those Directors favoring the Special Assessment and one (1) statement from those Directors opposing the Special Assessment, containing the reasons for those Directors' support and opposition for the Assessment. Neither statement shall exceed five (5) pages in length.

This provision shall be interpreted to mean that the Association may make in any one (1) year an Annual Assessment up to the maximum set forth in Section 3 of this Article V, plus an additional Special Assessment. Such Special Assessment in any one (1) year may not exceed a sum equal to the amount of the Maximum Regular Annual Assessment for such year except for emergency or repairs required as a result of storm, fire, natural disaster, or other casualty loss. The fact that the Association has made an Annual Assessment for an amount up to the Maximum Regular Annual Assessment shall not affect its right to make a Special Assessment during the year.

The proportion of each Special Assessment to be paid by the Owners of the various classifications of assessable property shall be equal to the proportion of the Annual Assess-

ments levied for the Assessment year during which such Special Assessments are approved by the Members.

Section 5. Reserve Funds. The Association shall establish reserve funds from its Annual Assessments to be held in reserve in an interest drawing account or investments as a reserve for:

- (a) Major rehabilitation or major repairs;
- (b) For emergency and other repairs required as a result of storm, fire, natural disaster, or other casualty loss, and;
- (c) Initial costs of any new service to be performed by the Association.

Section 6. Special Assessments for Neighborhood Areas. On petition of seventy-five (75%) percent of all Owners within a particular Neighborhood Area, or contiguous Neighborhood Areas, as such may be designated on a recorded subdivision plat, the Board of Directors of the Association may levy a Special Assessment applicable only to each Owner within the immediate Neighborhood Area or Areas, to undertake special neighborhood improvements, neighborhood rehabilitation or construction, special neighborhood security, and neighborhood maintenance. If such Special Assessment be proposed by the Board of Directors of the Association rather than by petition as provided for hereinabove, then such proposal shall be submitted to a Referendum of all Owners within the particular Neighborhood Area or Areas, and such Special Assessment shall be levied upon each such Owner only upon a favorable response to said Referendum, as shall be indicated by not less than seventy-five (75%) percent of the votes entitled to be cast voting in favor of such Special Assessment.

In the event of election by the Members of a Neighborhood Area to be assessed by the Association for special improvements, construction, security, or maintenance, the Association shall be authorized to borrow money to fund such special improvements, construction, security, or maintenance, and to repay any such loan with the receipts from the Special Assessment authorized therefor.

Section 7. Change in Maximum Amounts of Annual Assessments Upon Merger or Consolidation. The limitations of Section 3 hereof shall apply to any merger or consolidation in which the Association is authorized to participate under Article II, Section 2, hereof, and under the By-Laws of the Association.

Section 8. Date of Commencement of Annual Assessments, Due Date. Notwithstanding anything in the foregoing to the contrary, the Annual Assessments provided for herein shall commence no earlier than July 1, 1986, but not later than December 31, 1986.

Section 9. Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of the Annual Assessment against each Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or Unsubdivided Land, within the Assessment Schedule as provided hereinabove, and shall, at that time, direct the preparation of an index of the Properties and Annual Assessments applicable thereto, and any Special Assessments applicable thereto, which shall be kept in the Office of the Association and which shall be open to inspection by any Member. Written notice of Assessment shall thereupon be sent to every Member subject thereto.

The Association shall upon demand at any time furnish to any Owner liable for said Assessments a certificate in writing signed by an Officer of the Association, setting forth whether said Assessments have been paid. Such certificate shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid. If the Board of Directors authorizes a Billing Agent to collect Assessments, the Certificate of the said Billing Agent shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid.

Section 10. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; the Lien; Remedies of Association. If the Annual Assessment or any Special Assessment is not paid on or before the past-due date specified in Section 3(j) hereof, then such Assessment shall become delinquent and shall (together with interest thereon at the maximum annual contract rate permitted by law from the due date and cost of collection thereof including a reasonable attorney's fee as hereinafter provided) become a charge and continuing lien on the land and all improvements thereof, against which each such Assessment is made, in the hands of the then Owner, his heirs, devisees, personal representatives, and assigns.

If the Assessment is not paid within thirty (30) days after the past due date, the Association may bring an action at law against the Owner personally and there shall be added to the amount of such Assessment the costs of preparing the filing of the Complaint in such action and a reasonable attorney's fee, and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and a reasonable attorney's fee together with the costs of the action.

If the Board of Directors of the Association elects to utilize a Billing Agent to collect Assessments, interest which shall accrue on past-due sums will be the maximum interest rate which such agent may lawfully charge.

Section 11. Subordination of the Lien. The Lien of the Assessments provided for herein shall be subordinate to the lien of any first deed of trust now or hereafter placed upon any properties subject to Assessment. In the event a creditor acquires title to any property subject to Assessment pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, said creditor shall be subject to Assessments accruing after such acquisition.

Section 12. Exempt Property. The following property, individuals, partnerships, or corporations subject to this Declaration shall be exempted from the Assessment, charge, and lien created herein:

(a) All lands designated on the Master Plan for intended use, or by actual use if applicable for (i) indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, and the Association.

(b) All lands and any improvements thereon designated in any way as Common Properties or Restricted Common Properties;

(c) All lands and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Properties and Intended Restricted Common Properties;

(d) Property which is used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties;

(e) Property which is used for the maintenance, operation, and service of utilities within the Properties;

(f) The grantee in conveyances made for the purpose of granting utility easements.

In addition, the following lands shall be exempted from that portion of the assessment attributable to recreational facilities as defined in Section 14 of this Article V: All lands owned by any other Home Owners Association organized by the Company or by others with the consent of the Company within

the Properties if such Home Owners Association operates such facilities for the private use of its members or the Members of the Association, including, but not limited to, tennis courts, platform tennis courts, handball courts, squash courts, basketball courts, swimming pools, and any showers, locker rooms, or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, parks, riding trails, walking trails, bike trails, boardwalks, decks, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associated with all such uses; and (ii) places of worship; libraries; fire stations and rescue squads; post offices, day care centers, nursery schools, and other schools and instructional centers; non-profit or charitable community, civic, or cultural clubs and institutions; and other similar community facilities which the Board of Directors, in its sole and uncontrolled discretion, may designate as Exempt Properties.

Section 13. Annual Statements. The President, Treasurer, or such other Officer as may have custody of the funds of the Association shall annually, within ninety (90) days after the close of the fiscal year of the Association, prepare and execute under oath a general itemized statement showing the actual assets and liabilities of the Association at the close of such fiscal year, and a statement of revenues, costs and expenses. It shall be necessary to set out in the statement the name of any creditor of the Association, provided, however, that this requirement shall be construed to apply only to creditors of more than One Thousand and no/100 (\$1,000.00) dollars. Such Officer shall furnish to each Member of the Association who may make request therefor in writing, a copy of such statement, within thirty (30) days after receipt of such request. Such copy may be furnished to such Member either in person or by mail. Any holder of a first mortgage on a lot(s) or unit(s) shall be entitled upon written request to a financial statement for the immediately preceding fiscal year.

Section 14. Annual Budget. The Board of Directors shall prepare and make available to all Members, at least sixty (60) days prior to the first day of the following fiscal year, a budget outlining anticipated receipts and expenses for the following fiscal year. The fiscal books of the Association shall be available for inspection by all Members at all reasonable times. In preparing each Annual Budget, the Board of Directors shall use its best efforts based on generally accepted accounting procedures to accurately determine receipts and expenses and in order to comply with the partial exemption provisions set out in Section 12 of this Article V, shall separate, prorate and allocate expenses attributable solely or

partially to any recreational amenities from those expenses attributable solely or partially to the remaining common areas including, but not limited to, the greenways owned by the Association, signage (including electric service, if any, therefor), and nature trails.

Section 15. Working Capital Fund. At the time of closing of the sale of each unit or lot a sum equal to at least two months assessment for each unit (based on the "Current Regular Annual Assessment" in effect at the time of the sale) shall be collected and transferred to the Association to be held as a working capital fund. The purpose of said fund is to insure that the Association Board will have adequate cash available to meet unforeseen expenses, and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund shall not be considered advance payment of regular assessments.

ARTICLE VI  
FUNCTIONS OF ASSOCIATION

Section 1. Ownership and Maintenance of Properties. The Association shall be authorized to own and/or maintain Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties, equipment, furnishings, and improvements devoted to the following uses:

- (a) For roads, roadways, roadway medians, roadway islands, and parkways along said roads or roadways, cul-de-sac islands, and neighborhood or other area entrances (including signs) throughout the Properties;
- (b) For sidewalks, walking paths or trails, bicycle paths, and bridle paths through the Properties;
- (c) For transportation facilities throughout the Properties other than privately owned automobiles, e.g., buses, electric vehicles, etc.;
- (d) For security and fire protection services including security stations, guardhouses, police equipment, fire stations and fire fighting equipment, and buildings used in maintenance functions;
- (e) For emergency health care including ambulances, rescue squad facilities, emergency care medical facilities, and the equipment necessary to operate such facilities;

(f) For providing any of the services which the Association is authorized to offer under Section 2 of this Article VI;

(g) For purposes set out in deeds by which Common Properties and Restricted Common Properties are conveyed to the Association, provided that such purposes shall be approved by the Members of the Association as set out in Section 4 of this Article VI;

(h) For indoor and outdoor recreational and community facilities, including, but not limited to, tennis courts, platform tennis courts, handball courts, squash courts, basketball courts, swimming pools, and any showers, locker rooms, or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, parks, walking trails, bike trails, boardwalks, decks, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associates with all such uses; and

(i) For water and sewage facilities and any other utilities, if not adequately provided by a private utility, Wake County or the Town of Apex.

(j) For the cleaning, landscaping and maintenance of all roadway medians and islands, parkways along said roadways, cul-de-sac islands and neighborhood and other area entrances (including signs).

Section 2. Services. The Association shall be authorized (unless such is provided by the County of Wake or the Town of Apex), but not required, except as specified in Section 3 of this Article VI, to provide the following services:

(a) Cleaning and maintenance of all roads, roadways, parkways, lakes, parks, sidewalks, walking trails, bike trails, Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties, and also all public properties which are located within or in a reasonable proximity to the Properties such that their deterioration would affect the appearance of the Properties as a whole;

(b) Landscaping and beautification of roads, roadways, parkways, lakes, parks, sidewalks, walking paths, bike trails, Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties;

- (c) Transportation facilities other than privately owned automobiles, e.g., buses, electric vehicles, ferry boats, etc.;
- (d) Lighting of roads, signs, landscaping, sidewalks, walking paths, bike trails, parking lots, and any recreational and community facilities located within the Properties;
- (e) Police protection and security, including, but not limited to the employment of police and security guards, maintenance of electronic and other security devices and control centers for the protection of persons and property within the Existing Property, and assistance in the apprehension and prosecution of persons who violate the laws of the State of North Carolina or the County of Wake and Town of Apex, North Carolina within the Properties;
- (f) Fire protection and prevention;
- (g) Garbage and trash collection and disposal;
- (h) Insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors of the Association to supplement the service provided by the state and local governments;
- (i) The services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this document;
- (j) To take any and all actions necessary to enforce all Covenants and Restrictions affecting the Properties and to perform any of the functions or services delegated to the Association in any Covenants or Restrictions applicable to the Properties;
- (k) To set up and operate an Architectural Review Board for all Common Properties or Intended Common Properties, and, in the event that the Association is designated by the Company as the agent or the assign of the Company for such purposes, to extend the operation of the Architectural Review Board to all properties within Shepherd's Vineyard;
- (l) To provide day care and child care services;
- (m) To conduct instructional, recreational, sports, crafts, social and cultural programs of interest to Member's, their families and guests;

(n) To provide legal and scientific resources for the improvement of air and water quality within the Properties;

(o) To provide safety equipment for storm emergencies;

(p) To support the operation of transportation services between key points of the Properties and the airports, other public transportation terminals and public centers serving the area surrounding the Properties;

(q) To construct improvements on Common Properties, Restricted Common Properties, Intended Common Properties, or Intended Restricted Common Properties for use for any of the purposes authorized in this Article, or as may be required to provide any of the services authorized in this Article;

(r) To provide administrative services, including, but not limited to legal, accounting, and financial; and communication services, including, but not limited to, community newsletters and newspapers to inform Members of activities, notices of meetings, referendums, and other issues and events of community interest;

(s) To provide liability and hazard insurance covering improvements and activities on the Common Properties and Restricted Common Properties;

(t) To provide water, sewage, and any necessary utility services not provided by a public body, private utility or the Company;

(u) To provide, conduct, or maintain water pollution and shoreline erosion abatement measures including, without limitation, maintenance and repair of shore revetments and groins;

(v) To construct mailboxes, signs, and other standard features for use throughout the Properties;

(w) To provide any or all of the above listed services to another association of Owners of real property under a contract, the terms of which must be approved by the Board of Directors.

Section 3. Minimum List of Functions and Services.  
The "Minimum List of Functions and Services" shall establish and define the minimum level of functions and services which the Association must furnish or cause to be furnished to its Members. So long as the Company is engaged in the development of Properties which are subject to the terms of this Declaration,

the Association shall not reduce the level of functions and services it furnishes to its Members below such minimum level without the prior written consent of the Company. The "Minimum List of Functions and Services" is as follows:

(a) The Association shall provide or procure the administrative services necessary to carry out the Association's obligations and business under the terms of this Declaration, the Articles of Incorporation of the Association, and the By-Laws of the Association, including, but not limited to, legal, accounting, financial, and communications services.

(b) The Association shall administer and enforce the covenants and restrictions established in this Declaration, including, but not limited to, the following:

- (1) The Association shall set Assessments, levy cash Assessments, notify the Members of such Assessments, and collect such Assessments.
- (2) The Association shall prepare accurate indexes of Members, Property Classifications, Votes, Assessments, the Cumulative Maximum Number of Residential Lots and Family Dwelling Units Authorized in the Properties, and the Maximum Regular Annual Assessment;
- (3) The Association shall operate an Architectural Review Board;
- (4) The Association shall maintain and operate all Common Properties;
- (5) The Association shall hold Annual Meetings, Special Meetings, and Referendums as required, hold elections for the Board of Directors as required, and give Members "proper notice" as required;
- (6) The Association shall prepare Annual Statements and Annual Budgets, and shall make the financial books of the Association available for inspection by Members at all reasonable times.

(c) The Association shall provide appropriate liability and hazard insurance coverage for improvements and activities on all Common Properties.

(d) The Association shall provide appropriate director's and officers' legal liability insurance, and indemnify

persons pursuant to the provisions of the By-Laws of the Association.

(e) The Association shall keep a complete record of all its acts and corporate affairs.

(f) The Association shall provide regular and thorough cleanup of all roads, roadways, roadway medians, roadway islands, parkways, cul-de-sac islands, neighborhood and other entrances, and bike trails throughout the Properties (including landscaping areas along U.S. Highway #64 adjacent to the Properties), including, but not limited to, mowing grass on all roadsides, cul-de-sac and roadway islands, entrances, parks, and bike trails; sweeping all roads and bike trails; landscape maintenance on all roadsides, cul-de-sac and roadway islands, entrances, parks, and bike trails; pickup and disposal of trash on all roads, roadsides, cul-de-sac and roadway islands, entrances, parks, and bike trails. Such cleanup as is possible shall begin within an individual residential neighborhood as soon as construction of dwellings has commenced within said neighborhood.

(g) The Association shall provide general maintenance of all identification, informational and directional signs, bike trail signs, and neighborhood and other area signs, including, but not limited to, painting, light replacement, repair work and replacement as needed.

(h) The Association shall repave all paved bike trails as needed.

(i) The Association shall operate and maintain all streetlights along all public roads and within all Common Properties.

(j) The Association shall provide regular and thorough maintenance and cleanup of all Common Properties and Intended Common Properties, including, but not limited to, mowing of grass, fertilization as needed, landscape maintenance as needed, pickup and disposal of trash, repair, maintenance and replacement of sprinkler systems, washing down of picnic tables and benches as needed, and painting, repairs to and replacement of all improvements as needed.

(k) Insurance coverage on the Property shall be governed by the following provisions:

- (1) Ownership of Policies. All insurance policies upon the Common Property shall be purchased by the Association for the benefit of all the Association and the Owners and their mortgagees as their security interest may appear, and provisions

shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of Owners.

- (2) Coverage. All buildings and improvements upon the land and all personal property included in the Common Areas and facilities shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:
  - (i) Loss or damage by fire and other hazards covered by standard extended coverage endorsement, and
  - (ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land.
  - (iii) Such policies shall contain clauses providing for waiver of subrogation.
- (3) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to a single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary.
- (4) Premiums. Premiums for insurance policies purchased by the Association shall be paid by Association and charged to the Owners as an assessment according to the provisions of Article V above; provided that premiums on account of hazard insurance coverage for individual Lots shall be apportioned to the individual Owners according to the amounts of the coverage required.
- (5) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners and their mortgagees as their interest may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The sole duty of the Association as insurance trustee shall be to receive such proceeds

as are paid and to hold the same in trust for the purposes stated herein or stated in the By-Laws and for the benefit of the Owners and their mortgagees.

- (6) Proceeds of insurance policies received by the Association as insurance trustee shall be placed in the Association's treasury for the following:
- (i) Expense of the Trust. All expenses of the insurance trustee shall be first paid or provisions made therefor.
  - (ii) Reconstruction or Repair. The remaining proceeds shall be paid to defray the cost of repairs. Any proceeds remaining after defraying such cost shall be retained by the Association.
- (7) All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association or those held in trust, shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments plus reserves accumulated.

Section 4. Obligation of the Association. The Association shall not be obligated to carry out or offer any of the functions and services specified by the provisions of this Article except as specified in Section 3 of this Article VI. The functions and services to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association taking into consideration the funds available to the Association and the needs of the Members of the Association. The functions and services which the Association is authorized to carry out or to provide, may be added or reduced at any time upon the affirmative vote of fifty-one (51%) percent of the votes cast by the Type "A", Type "A-1", Type "B", and Type "D" Members at a duly called meeting of the Association.

Section 5. Mortgage and Pledge. The Board of Directors of the Association shall have the power and authority to mortgage the property of the Association and to pledge the revenues of the Association as security for loans made to the Association which loans shall be used by the Association in performing its authorized functions and services; provided that any such mortgage is with the prior consent of two-thirds of the Members of the Association, which consent may be evidenced by

petition or by an affirmative vote of two-thirds of the Association. The Company may, but shall not be required, to make loans to the Association, subject to approval by the Company of the use to which such loan proceeds will be put and the terms pursuant to which such loan will be repaid. Notwithstanding anything in this Declaration to the contrary, the Association shall not be allowed to reduce the level of the Annual Assessment below the limit of the Maximum Regular Annual Assessment at any time there are outstanding any amounts due the Company as repayment of any loans made by the Company to the Association without the express written consent of the Company.

Section 6. Maintenance of Property Not Owned by the Association. The Association shall be authorized to render services of a governmental nature not furnished by the local government in the case of maintenance of property not owned by it.

#### ARTICLE VII ARCHITECTURAL CONTROL

Section 1. Purpose. The primary purpose of these covenants and restrictions and the foremost consideration in the origin of same has been the creation of a community which is aesthetically pleasing and functionally convenient. The establishment of certain objective standards relating to design, size and location of dwellings and other structures makes it impossible to take full advantage of the individual characteristics of each parcel of Property and of technological advances and environmental values. In order to implement the purposes of these covenants, the Company shall establish and amend from time to time objective standards and guidelines, including, but not limited to, Architectural Standards and Construction Specifications, Uniform Sign Regulations, Uniform Mailbox Regulations, Landscape Guidelines, and Environmental Rules and Regulations as defined hereinafter, and which shall be binding on all Property Owners within Shepherd's Vineyard.

Section 2. Controls.

a. No building, fence, or other structure shall be erected, placed, or altered, nor shall a building permit for such improvement be applied for on any Property in Shepherd's Vineyard until the proposed building plans, specifications, exterior color or finish, plot plan (showing the proposed location of such building or structure, drives, and parking areas) shall have been approved in writing by the Company, or by the Architectural Review Board of the Association if such review responsibility has been delegated to the Association by the Company. In addition, the Company may require prior written approval of a landscape plan. The Company further reserves the

right to promulgate and amend from time to time architectural standards and construction specifications (hereinafter referred to as the "Architectural Standards and Construction Specifications") for specific neighborhoods and areas or for all Properties within Shepherd's Vineyard and such Architectural Standards and Construction Specifications shall establish, define, and expressly limit those standards and specifications which will be approved in said neighborhoods and areas or within the Properties, including, but not limited to, architectural style, exterior color or finish, landscaping, roofing material, siding material, driveway material, landscape design, and construction technique. Refusal or approval of plans, location, exterior color or finish, or specifications may be based by the Company upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Company shall seem sufficient. No alteration in the exterior appearance of any building or structure, including exterior color or finish, shall be made without like prior written approval by the Company. One (1) copy of all plans and related data shall be furnished the Company for its records. In the event approval of such plans is neither granted nor denied within thirty (30) days following receipt by the Company of written demand for approval, the provisions of this paragraph shall be thereby waived.

b. In order to assure that buildings and other structures will be located and staggered so that the maximum view, privacy, sunlight, and breeze will be available to each building or structure within the confines of each Property, and to assure that structures will be located with regard to the topography of each Property, taking into consideration the location of large trees and other aesthetic and environmental considerations, the Company reserves the right to control absolutely and solely to decide (subject to the provisions of the Zoning Ordinance of the County of Wake and Town of Apex, North Carolina) the precise site and location of any building or structure on any Property in Shepherd's Vineyard for reasons which may in the sole and uncontrolled discretion and judgment of the Company seem sufficient. Such location shall be determined only after reasonable opportunity is afforded the Property Owner to recommend a specific site. The provisions of this paragraph shall in no way be construed as a guarantee that the view, privacy, sunlight, or breeze available to a building or structure on a given Property shall not be affected by the location of a building or structure on an adjacent Property.

c. Each Property Owner shall provide space for the parking of automobiles off public streets prior to the occupancy of any building or structure constructed on said property in accordance with reasonable standards established by the Company.

d. Except as may be required by legal proceedings, no sign shall be erected or maintained on any Property by anyone including, but not limited to, a Property Owner, a tenant, a realtor, a contractor, or a subcontractor, until the proposed sign size, color, content, number of signs, and location of sign(s) shall have been approved in writing by the Company. Refusal or approval of size, color, content, number of signs, or location of sign(s) may be based by the Company upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Company seems sufficient. The Company further reserves the right to promulgate and amend from time to time uniform sign regulations (the "uniform Sign Regulations") which shall establish standard design criteria for all signs, including, but not limited to, real estate sales signs, erected upon any Property in Shepherd's Vineyard.

The Company and its agent shall have the right, whenever there shall have been placed or constructed on any Property in Shepherd's Vineyard any sign which is in violation of these restrictions, to enter immediately upon such Property where such violation exists and summarily remove the same at the expense of the Property Owner.

e. It shall be the responsibility of each Property Owner, tenant, contractor, or subcontractor to prevent the development of any unclean, unsightly, unkempt, unhealthy, or unsafe conditions of buildings or grounds on any Property which shall tend to substantially decrease the beauty or safety of Shepherd's Vineyard, the neighborhood as a whole, or the specific area. The Company and its agents shall have the right to enter upon any Property for the purpose of correcting such conditions, including, but not limited to, the removal of trash which has collected on the Property, and the cost of such corrective action shall be paid by the Property Owner. Such entry shall not be made until thirty (30) days after the Owner of the Property has been notified in writing of the need to take corrective action and unless such Owner fails to perform the corrective action within said thirty (30) days period; provided, however, that should such conditions pose a health or safety hazard, such entry shall not be made until the Owner has been notified in writing of the need to take immediate corrective action and unless such Owner fails to perform the corrective action immediately. The provisions of this paragraph shall not create any obligation on the part of the Company to take any such corrective action.

f. No mailbox shall be erected or maintained on any Property until the proposed mailbox design, color, and location have been approved in writing by the Company. Refusal or approval of design, color, or location may be based by the Company upon any ground, including purely aesthetic considerations,

which in the sole and uncontrolled discretion of the Company seems sufficient. No alteration in the exterior appearance of any mailbox shall be made without like prior written approval by the Company. The Company further reserves the right to establish uniform mailbox regulations (the "Uniform Mailbox Regulations") which shall define standard design criteria for all mailboxes erected upon any Property in Shepherd's Vineyard.

g. Prior to the occupancy of a building or structure on any Property, proper and suitable provisions shall be made for the disposal of sewage by connection with the sewer mains of the Apex public sewer system, or to a system approved by the Town of Apex.

h. Prior to the occupancy of a building or structure on any Property, proper and suitable provisions for water shall be made by connection with the water lines of the Town of Apex.

i. The Company reserves unto itself, its successors and assigns, and its agent, a perpetual, alienable, and releaseable easement and right, on, over and under the Properties to erect, maintain, and use electric, Community Antenna Television, and telephone poles, wires, cables, conduits, drainage ways, sewers, water mains, and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water, drainage, or other public conveniences or utilities on, in or over those portions of such Property as may be reasonably required for utility line purposes; provided, however, that no such utility easement shall be applicable to any portion of such Property as may (a) have been used prior to the installation of such utilities for construction of a building whose plans were approved pursuant to these covenants by the Company, or (b) such portion of the Property as may be designated as the site for a building on a plot plan for erection of a building which has been filed with the Company and which has been approved in writing by said Company. These easements and rights expressly include the right to cut any trees, bushes, or shrubbery, make any gradings of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation to maintain reasonable standards of health, safety, and appearance. The Company further reserves the right to locate wells, pumping stations, siltation basins, and tanks within Shepherd's Vineyard in any Common Area or on any Property designated for such use on the applicable plat of said Property, or to locate same upon any Property with the permission of the Owner of such Property. Such rights may be exercised by any licensee of the Company, but this reservation shall not create any obligation on the part of the Company to provide or maintain any such utility or service.

j. Except as reserved and permitted in i. above, no antenna or dish shall be placed on or erected upon any property within Shepherd's Vineyard.

k. The Company reserves the right to promulgate and amend from time to time landscape guidelines (referred to hereinafter as the "Landscape Guidelines") which shall establish approved standards, methods, and procedures for landscape management on specific Properties in Shepherd's Vineyard and such authorized standards, methods, and procedures may be utilized by the Owners of such specified Properties without prior written approval by the Company; provided, however, no trees measuring six (6) inches or more in diameter at a point two (2) feet above ground level may be removed without the prior written approval of the Company. Approval for the removal of trees located within ten (10) feet of the main dwelling or accessory building or within ten (10) feet of the approved site for such building will be granted unless such removal will substantially decrease the beauty of the Property.

Section 3. Review Board. The Architectural Review Board shall be composed of at least three (3) but not more than eleven (11) Members, all of whom shall be appointed by the Board of Directors of the Association. At least one (1) Member of the Association other than the Company shall be a Member of the Architectural Review Board at all times.

#### ARTICLE VIII GENERAL PROVISIONS

Section 1. Duration. The Covenants and Restrictions of this Declaration and any Amendments thereto shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Company, or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a period of thirty (30) years from the date this Declaration is recorded. Upon the expiration of said thirty (30) year period, this Declaration shall be automatically extended for successive periods of ten (10) years. The number of ten (10) year extension periods hereunder shall be unlimited, and this Declaration shall be automatically extended upon the expiration of the initial thirty (30) year period, or during the last year of any subsequent ten (10) year extension period, at a duly called meeting of the Association, fifty-one (51%) or more of the total vote entitled to be cast by all the Members of the Association shall vote in favor of terminating this Declaration at the end of its then current term. The presence at the meeting of Members or proxies entitled to cast sixty (60%) percent of the total vote of the Membership shall constitute a quorum. It shall be required that

written notice of any meeting at which such a proposal to terminate this Declaration is to be considered, setting forth the fact that such a proposal will be considered, shall be given each member at least thirty (30) days in advance of said meeting. In the event that the Members of the Association vote to terminate this Declaration, the President and Secretary of the Association shall execute a certificate which shall set forth the Resolution of Termination adopted by the Association, the date of the meeting of the Association at which such resolution was adopted, the date that Notice of such Meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes necessary to adopt a Resolution terminating this Declaration, the total number of votes cast in favor of such Resolution, and the total number of votes cast against such Resolution. Said certificate shall be recorded in the Register of Deeds Office, Wake County, North Carolina, and may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

Section 2. Amendments. All proposed Amendments to this Declaration shall be submitted to a vote of the Members at a duly called meeting of the Association subject to the quorum requirements established by Article III, Section 6(a), and any such proposed amendment shall be deemed approved if two-thirds (2/3) of the votes cast at such meeting vote in favor of such proposed amendment. Notice shall be given each Member at least thirty (30) days prior to the date of the meeting at which such proposed amendment is to be considered. If any proposed amendment to this Declaration is approved by the members as set forth above, the President and Secretary of the Association shall execute an Addendum to this Declaration which shall set forth the Amendment, the effective date of the Amendment (which in no event shall be less than sixty (60) days after the date of the meeting of the Association at which such Amendment was adopted), the date of the meeting of the Association at which such Amendment was adopted, the date that notice of such meeting was given, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes cast for and against the Amendment, the number of votes necessary to adopt the Amendment, the total number of votes cast in favor of such Amendment and the total number of votes cast against the Amendment. Such Addendum shall be recorded in the Office of the Register of Deeds, Wake County, North Carolina.

So long as the Company, as the Type "E" Member, is entitled to elect a majority of the Members of the Board of Directors of the Association, no Amendment of this Declaration shall be made without the consent of the Company; and until the

end of the period of development no Amendment of this Declaration shall be made without the consent of the Company which would have the affect of creating a disproportionate increase in the Maximum Regular Annual Assessment, the actual assessment levied, or any Special Assessment of any Class of Owners.

Notwithstanding the foregoing, the Company, for so long as it shall retain control of the Board of Directors of the Association, and, thereafter, the Board of Directors, may amend this Declaration as shall be necessary, in its opinion, with the consent and approval of VA or HUD, and FNMA and without the consent of any Owner, in order to qualify the Association for tax-exempt status, and to correct obvious errors and omissions herein. Such amendment shall become effective upon the date of its recordation in the Wake County Registry.

Section 3. Notices. Any notice required to be sent to any Member under the provisions of this Declaration shall be deemed to have been properly sent, and notice thereby given, when delivered personally or sent by mail, with the proper postage affixed, to the address appearing on the Association's Membership list. Notice to one (1) or two (2) or more co-owners or co-tenants of a Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or Unsubdivided Land shall constitute notice to all co-owners. It shall be the obligation of every Member to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes a Member following the first day in the calendar month in which said notice is delivered or mailed shall be deemed to have been given notice if notice was given to his predecessor in title.

Section 4. Enforcement. Enforcement of these Covenants and Restrictions shall be by any proceeding at law or in equity against any person or persons violating or attempting to restrain violation or to recover damages, and against the land and to enforce any lien created by these Covenants; and failure by the Association or any Member or the Company to enforce any Covenant or Restriction herein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to enforce same thereafter.

Section 5. Severability. Should any Covenant or Restriction herein contained, or any Article, Section, Subsection, sentence, clause, phrase or term of this Declaration be declared to be void, invalid, illegal, or unenforceable, for any reason, by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way affect the other

provisions hereof which are hereby declared to be severable and which shall remain in full force and effect.

Section 6. Interpretation. The Board of Directors of the Association shall have the right to determine all questions arising in connection with this Declaration of Covenants and Restrictions, and to construe and interpret its provisions, and its determination, construction, or interpretation shall be final and binding. In all cases, the provisions of this Declaration of Covenants and Restrictions shall be given that interpretation or construction that will best tend toward the consummation of the general plan of improvements.

Section 7. Authorized Action. All actions which the Association is allowed to take under this instrument shall be authorized actions of the Association if approved by the Board of Directors of the Association in the manner provided for in the By-Laws of the Association, unless the terms of this instrument provide otherwise.

Section 8. Other Agreements. Notwithstanding anything contained herein to the contrary, all the provisions of these Covenants shall be subject to and conform with the provisions of:

(a) The Zoning Ordinances of the Town of Apex and County of Wake, North Carolina, and the rules and regulations promulgated thereunder, as may from time to time hereafter be amended or modified;

(b) The Master Plan for the development of Shepherd's Vineyard may from time to time hereinafter be amended or modified;

None of the provisions of this Section (8) are or shall in any way be construed to be or to constitute a conveyance, transfer, disposition, waiver or relinquishment of any right, title, and interest of the Company or the Association, as their respective rights, titles, and interests may appear, in and to or under any of the above referenced instruments or documents to or for the benefit of any other person, firm or corporation.

Section 9. Limited Liability. In connection with all reviews, acceptances, inspections, permissions, consents or required approvals by or from the Company and/or the Association contemplated under this Declaration, the Company and/or the Association shall not be liable to an Owner or to any other person on account of any claim, liability, damage, or expense suffered or incurred by or threatened against an Owner or such other person and arising out of or in any way relating to the subject matter of any such reviews, acceptances, inspections,

permissions, consents or required approvals, whether given, granted, or withheld.

Section 10. Termination of Association. In the event that this Declaration be declared to be void, invalid, illegal, or unenforceable in its entirety, or in such a significant manner that the Association is not able to function substantially as contemplated by the terms hereof, for any reason, by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the ten (10) years of the date of recording this Declaration, all Common Properties belonging to the Association at the time of such adjudication shall revert to the Company, and the Company shall own and operate said Common Properties as set forth below. If said adjudication shall occur on a date more than ten (10) years after the date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for in Article VIII, Section 1, all Common Properties owned by the Association at such time shall be transferred to a Trustee appointed by the Superior Court of Wake County, North Carolina, which Trustee shall own and operate said Common Properties for the use and benefit of Owners within the Properties as set forth below:

(a) Each Lot or Parcel of land located within the Properties shall be subject to an Annual Assessment which shall be paid by the Owner of each such Lot or Parcel to the company or Trustee, whichever becomes the successor in title to the Association. The amount of such Annual Assessment and its due date shall be determined solely by the Company or the Trustee, as the case may be, but the amount of such Annual Assessment on any particular Lot or Parcel shall not exceed the amount actually assessed against that Lot or Parcel in the last year that assessments were levied by the Association, subject to the adjustments set forth in subparagraph (b) immediately below;

(b) The Maximum Regular Annual Assessment which may be charged by the Company or Trustee hereunder on any particular Lot or Parcel may be automatically increased each year by an amount of ten (10%) percent.

(c) Any past due Annual Assessment together with interest thereon at the maximum annual rate allowed by law from the due date and all costs of collection including reasonable attorney's fees shall be a personal obligation of the Owner at the time the Annual Assessment became past due, and it shall also constitute and become a charge and continuing lien on the Lot or Parcel of land and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(d) The Company, or the Trustee, as the case may be, shall be required to use the funds collected as Annual Assessments for the operation, maintenance, repair, and upkeep of the Common Properties. The Company or Trustee may charge as part of the cost of such functions the reasonable value of this services in carrying out the duties herein provided. Neither the Company nor the Trustee shall have the obligations to provide for operation, maintenance, repair, and upkeep of the Common Properties once the funds provided by the Annual Assessment have been exhausted.

(e) The Company shall have the right to convey title to the Common Properties, and to assign its rights and duties hereunder, provided that the transferee accepts such properties subject to the limitations and uses imposed hereby and affirmatively acknowledges its acceptance of the duties imposed hereby.

(f) The Trustee shall have the power to dispose of the Common Properties free and clear of the limitations imposed hereby; provided, however, that such disposition shall first be approved in writing by fifty-one (51%) percent of the Owners of property within the Properties or in the alternative shall be found to be in the best interests of the Owners of property within the Properties or in the alternative shall be found to be in the best interests of the Owners of property within the Properties by the Superior Court of Wake County, North Carolina. The proceeds of such a sale shall first be used for the payment of any debts or obligations constituting a lien on the Common Properties, then for the payment of any obligations incurred by the Trustee in the operation, maintenance, repair, and upkeep of such properties, then for the payment of any obligations distributed among the Owners of property within the Properties, exclusive of the Trustees, in a proportion Assessment on property owned by a particular Owner bears to the total Maximum Regular Annual Assessments for all property located within the Properties.

Section 11. Management and Contract Rights of Association. The Company may enter into a contract with a Management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance, and management of the property. However, no such contract shall be binding upon the Association except through express adoption, or ratification of the terms and conditions of such contract. Any contract or lease entered into by the Company or by the Association while the company is in control thereof shall contain a provisions allowing the Association to terminate such contract without justification or penalty after transfer of management by the company to the Association.

Section 12. Rights of Noteholders.

(a) Any institutional holder of a first mortgage on a Unit or Lot will, upon written request, be entitled to:

(i) Inspect the books and records of the Association during normal business hours,

(ii) Receive an annual audited financial statement of the Association within ninety (90) days following the end of its fiscal year,

(iii) Receive written notice of all meetings of the Association and the right to designate a representation to attend all such meetings,

(iv) Receive written notice of any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage,

(v) Receive written notice of any sixty-day delinquency in the payment of assessments or charges owned by the owner of any unit on which it holds the mortgage,

(vi) Receive written notice of a lapse, cancellation, or material modification of any insurance policy of fidelity bond maintained by the Owners' Association,

(vii) Receive written notice of any proposed action that requires the consent of a specified percentage of mortgage holders,

(viii) Be furnished with a copy of the master insurance policy; and

(ix) Receive a copy of any Supplementary Declaration which contains additions, provisions or modifications to the Declaration pursuant to the provisions of Article II, Section 2(a) hereof thirty (30) days prior to the recording of such Supplementary Declaration.

(b) Without the prior written consent of not less than 66% of Institutional Lenders, the Association may not:

(i) Abandon, partition, subdivide, encumber, sell or transfer real estate or improvements which are owned by the Association for the benefit of all members.

(ii) Alter or amend the method of determining assessments that may be levied against an owner.

(iii) Waive or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance of any building, fence, wall or other structure upon the properties, the exterior maintenance of lots, the maintenance of party walls or common fences and driveways within the properties or the upkeep of lawns and plantings within the properties.

(iv) Use hazard insurance proceeds for losses to improvements located on Association property for other than the repair, replacement or reconstruction of such improvements.

Section 13. Exchange of Common Area. Notwithstanding any provision herein to the contrary, it is expressly provided that the Association may exchange with the Company, as well as any other Owner, for fair value any portion of the Common Properties theretofore conveyed to the Association for additional property to be added to the Common Properties. Any such exchange and conveyance shall be subject to prior VA or HUD and FNMA approval. Upon such exchange and conveyance, the area conveyed shall cease to be Common Properties and shall cease to be subject to the provisions of this Declaration relating to the Common Properties. Any area acquired by the Association pursuant to the foregoing language shall become Common Property and subject to the provisions of these covenants relating to the Common Property.

Section 14. VA or HUD, and FNMA Approval. As long as the Company controls the Board, or retains the right to do any of the following without the consent of the Members, such acts will require the prior approval of VA or HUD and FNMA: Annexation of additional properties, dedication of Common Areas, and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 15. Easements.

(a) Walks, Drives, Utilities, Etc. All Properties shall be subject to such easements for walkways, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone, streets and electric power lines, television antenna lines, other utilities; ingress, egress and regress and otherwise as shall be established by the Company and the Association shall have the power and authority to grant and establish further easements upon, over, under and across the Property.

(b) Encroachments and Company's Easement to Correct Drainage. All Properties shall be subject to easements for the encroachment of initial improvements constructed thereon to the extent that such initial improvements actually encroach, including,

without limitation, such items as overhanging eaves, gutters, downspouts, exterior storage rooms, bay windows, steps and walls. If any encroachment shall occur subsequent to subjecting Shepherd's Vineyard to this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and shall be and remain a valid easement for such encroachment for the maintenance of the same. For a period of twenty five (25) years from the date hereof, the Company reserves an easement and right on, over and under any property comprising Shepherd's Vineyard to maintain and to correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or take any other similar action reasonably necessary. After such action has been completed, the Company shall restore the affected property to its original condition to the extent practicable. Company shall give reasonable notice of intent to take such action to all affected Owners.

(c) Easement to Wake County and Town of Apex. An easement is hereby established for municipal, state or public utilities serving Shepherd's Vineyard, their agents and employees over all Common Properties hereby or hereafter established for setting, removing, and reading utility meters, maintaining and replacing utility or drainage connections, and acting with other purposes consistent with the public safety and welfare, including, without limitation, police and fire protection.

(d) Company and Association reserve the right to subject the Property to a contract with Carolina Power and Light Company for the installation of above ground or underground electric cables and lines and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power and Light Company by the Owner of each Unit within said property.

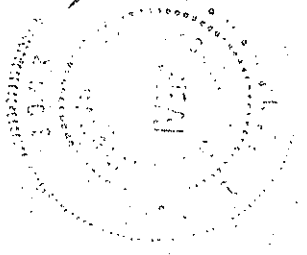
IN WITNESS WHEREOF, the Company and the Property Owners have caused this instrument to be executed as of the day and year first above written.

ATTEST:

*Thomas J. Zouille*  
Secretary

FMRK, INC.

By *W. Kenneth*  
President



NORTH CAROLINA

WAKE COUNTY

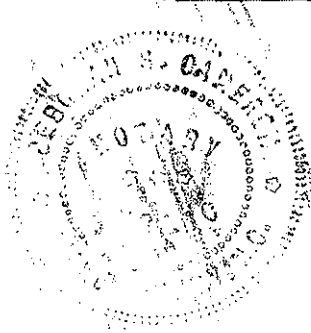
I, Deborah J. Cameron a Notary Public of the County and State aforesaid, certify that Thomas L. Fonville personally came before me this day and acknowledged that (s)he is the Secretary of FMRK, INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its sealed with its corporate seal, and attested by him as its Secretary

Witness my hand official stamp or seal, this 5<sup>th</sup> day of September, 1986.

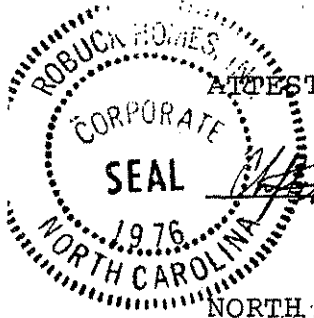
Deborah J. Cameron  
Notary Public

My Commission Expires:

My Commission Expires 3-18-89



PROPERTY OWNERS



ATTEST:

ROBUCK HOMES, INC.

Cliff W. Thomas  
Secretary

BY [Signature]  
President

NORTH CAROLINA

WAKE COUNTY

I, Deborah S. Cameron, a Notary Public of the County and State aforesaid, certify that Cliff W. Thomas personally came before me this day and acknowledged that (s)he is the Secretary of ROBUCK HOMES, INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Secretary sealed with its corporate seal, and attested by himself as its Secretary.

Witness my hand official stamp or seal, this 8<sup>th</sup> day of September, 1986.

Deborah S. Cameron  
Notary Public

My Commission Expires:

My Commission Expires 3-15-89

ATTEST:

STEVE GRAY BUILDER, INC.

Prudence D. Kelly  
Ass't. Secretary

BY [Signature]  
President

NORTH CAROLINA

WAKE COUNTY

I, Deborah S. Cameron, a Notary Public of the County and State aforesaid, certify that Geraldine J. Kelly personally came before me this day and acknowledged that (s)he is the Asst. Secretary of STEVE GRAY BUILDER, INC., a North Carolina 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 Asst. Secretary

Witness my hand official stamp or seal, this 10<sup>th</sup> day of September, 1986.

Deborah S. Cameron  
Notary Public

My Commission Expires:

My Commission Expires 3-18-89

ATTEST:

[Signature]  
Secretary

SUNSOUTH HOMES, INC.

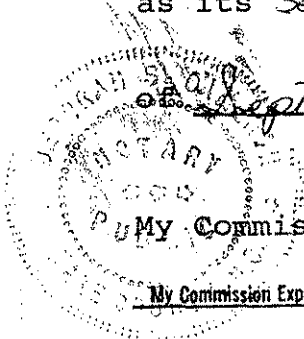
By [Signature] President

NORTH CAROLINA

WAKE COUNTY

I, Deborah S. Cameron, a Notary Public of the County and State aforesaid, certify that David L Brady personally came before me this day and acknowledged that (s)he is the Secretary of SUNSOUTH HOMES, INC., a North Carolina 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 himself as its Secretary.

Witness my hand official stamp or seal, this 9<sup>th</sup> day of September, 1986.



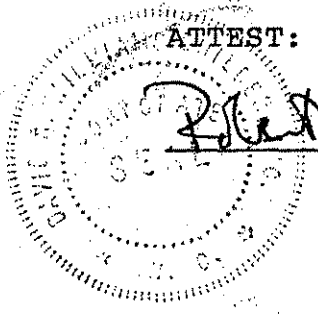
Deborah S. Cameron  
Notary Public

My Commission Expires:

My Commission Expires 3-18-89

ATTEST:

DAVID R. WILLIAMS BUILDER, INC.



David L Brady  
ASST Secretary

By David R. Williams  
President

NORTH CAROLINA

WAKE COUNTY

I, Adrienne Dyson Smith, a Notary Public of the County and State aforesaid, certify that Robert A. Brady personally came before me this day and acknowledged that (s)he is the Asst. Secretary of DAVID R. WILLIAMS BUILDER, INC., a North Carolina 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 him as its Asst. Secretary.

Witness my hand official stamp or seal, this 9<sup>th</sup> day of September, 1986.

Adrienne Dyson Smith  
Notary Public

My Commission Expires:

2/23/87

ATTEST:

WITT-BANKS CONSTRUCTION COMPANY, INC.

By Carl R. Banks  
Vice President

Cecil M. Johnson  
Asst Secretary



NORTH CAROLINA

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WAKE COUNTY

I, Deborah S. Cameron, a Notary Public of the County and State aforesaid, certify that Carol M. Johnson personally came before me this day and acknowledged that (s)he is the Asst. Secretary of WITT-BANKS CONSTRUCTION COMPANY, INC., a North Carolina 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 Asst. Secretary

Witness my hand official stamp or seal, this 9<sup>th</sup> day of September, 1986.

Deborah S. Cameron  
Notary Public

My Commission Expires:

My Commission Expires 3-18-89

RIDGELOCH PARTNERSHIP,  
a N.C. Partnership

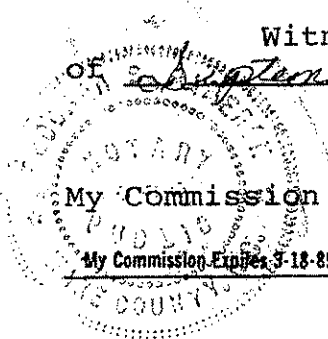
By [Signature] (SEAL)  
General Partner

NORTH CAROLINA

WAKE COUNTY

I, Deborah S. Cameron, a Notary Public of the County and State aforesaid, certify that David L. Brady personally came before me this day and acknowledged that (s)he is the General Partner of RIDGELOCH PARTNERSHIP, a North Carolina partnership, and that by authority duly given and as the act of the partnership, the foregoing instrument was signed in its name by him as its General Partner.

Witness my hand official stamp or seal, this 9<sup>th</sup> day of September, 1986.



My Commission Expires: \_\_\_\_\_  
My Commission Expires 3-18-89

Deborah S. Cameron  
Notary Public

BROOKFIELD PROPERTIES,  
a N.C. Partnership

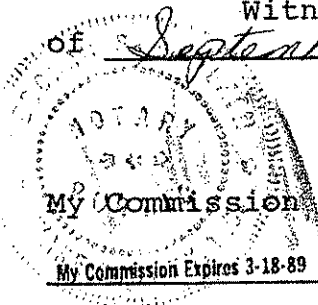
By [Signature] (SEAL)  
General Partner

NORTH CAROLINA

WAKE COUNTY

I, Deborah S. Cameron, a Notary Public of the County and State aforesaid, certify that Thomas L. Fonville personally came before me this day and acknowledged that (s)he is the General Partner of BROOKFIELD PROPERTIES, a North Carolina partnership, and that by authority duly given and as the act of the partnership, the foregoing instrument was signed in its name by him as its General Partner.

Witness my hand official stamp or seal, this 9<sup>th</sup> day of September, 1986.



Deborah S. Cameron  
Notary Public

My Commission Expires:

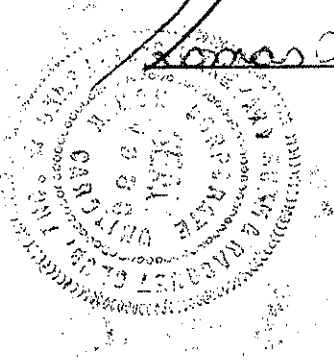
My Commission Expires 3-18-89

ATTEST:

SHEPHERD'S VINEYARD SWIM & RACQUET CLUB, INC.

BY W. Kenneth [Signature] President

Thomas L. Fonville  
Secretary



NORTH CAROLINA

BOOK 3821 PAGE 316

WAKE COUNTY

I, Deborah S. Cameron, a Notary Public of the County and State aforesaid, certify that Thomas L. Fonville personally came before me this day and acknowledged that (s)he is the Secretary of SHEPHERD'S VINEYARD SWIM & RACQUET CLUB, INC., a North Carolina 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 himself, as its Secretary.

Witness my hand official stamp or seal, this 9th day of September, 1986.

Deborah S. Cameron  
Notary Public

My Commission Expires:

My Commission Expires 3-18-89

ATTEST:

NICHOLSON HOMES, INC.

[Signature]  
Secretary

By James M. Nicholson  
President

NORTH CAROLINA

WAKE COUNTY

I, Arlene F. Livengood, a Notary Public of the County and State aforesaid, certify that Charles L. Hinton, III personally came before me this day and acknowledged that (s)he is the Secretary of NICHOLSON HOMES, INC., a North Carolina 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 as its Secretary.

Witness my hand official stamp or seal, this 10th day of September, 1986.

Arlene F. Livengood  
Notary Public

My Commission Expires: **ARLENE F. LIVENGOOD  
NOTARY PUBLIC  
WAKE COUNTY, N. C.  
My Commission Expires 9-30-87**

NORTH CAROLINA - WAKE COUNTY

The foregoing certificate of Deborah S. Cameron  
and Adrienne Tyson Smith and  
Arlene F. Livengood  
Notar(y)(ies) Public is

(are) certified to be correct. This instrument and this certificate are duly registered at the date and time and in the book and page shown on the first page hereof.

## EXHIBIT A, Page 1

TRACT 1

BEGINNING at a point on the northern right of way line of Old Apex Macedonia Road (S.R. 1435) (100-foot right of way), said point being marked by North Carolina Grid Coordinates  $N(Y)=722,946.37$  and  $E(X)=2,050,150.83$ ; runs thence along the northern right of way line of Old Apex Macedonia Road the following courses and distances: South  $64^{\circ} 00' 23''$  West 25.84 feet to a point, South  $65^{\circ} 23' 25''$  West 117.24 feet to a point, and South  $66^{\circ} 36' 59''$  West 44.15 feet to a point on said right of way line, said point being 4,151 feet, more or less, in an easterly direction from the point of intersection of the right of way of Old Apex Macedonia Road and Laura Duncan Road; thence leaving the right of way of Old Apex Macedonia Road runs the following courses and distances: North  $23^{\circ} 23' 01''$  West 50.0 feet to a point, North  $66^{\circ} 36' 59''$  East 35.0 feet to a point, and North  $33^{\circ} 36' 35''$  West 44.44 feet to a point; runs thence along a curve to the left (said curve having a radius of 173.0 feet) an arc distance of 247.59 feet; runs thence North  $25^{\circ} 36' 35''$  West 45.0 feet to a point, thence North  $51^{\circ} 52' 11''$  West 345.26 feet to a point; thence North  $29^{\circ} 05' 54''$  East 50.29 feet to a point; thence North  $10^{\circ} 33' 15''$  East 40.56 feet to a point; thence North  $25^{\circ} 37' 53''$  East 100.72 feet to a point; thence North  $08^{\circ} 11' 18''$  East 89.96 feet to a point; thence North  $27^{\circ} 21' 19''$  East 90.98 feet to a point; thence North  $03^{\circ} 53' 32''$  West 54.77 feet to a point; thence North  $69^{\circ} 53' 28''$  East 86.69 feet to a point; thence North  $51^{\circ} 04' 21''$  East 57.10 feet to a point; thence North  $61^{\circ} 41' 08''$  East 107.89 feet to a point; thence North  $62^{\circ} 02' 03''$  East 145.46 feet to a point, said point lying in the western line of property owned now or formerly by F.M.R.K., Inc.; runs thence along the western line of F.M.R.K. South  $43^{\circ} 08' 24''$  East 317.90 feet to a point, a corner of F.M.R.K., said point also marking the northwest corner of property owned now or formerly by Davenport; runs thence along the western line of Davenport South  $00^{\circ} 02' 20''$  West 685.34 feet to the point and place of Beginning, and being a tract of land containing 10.34 acres, all according to survey entitled "Survey for F.M.R.K., Inc." dated April 22, 1986, prepared by Dewberry & Davis, Engineers-Architects-Planners-Surveyors.

TRACT 2:

BOOK 3821 PAGE 318

COMMENCING at a point in the east right of way line of Carriage Ridge Way, said point being the northwest corner of Lot 1 as shown upon that map entitled "Shepherd's Vineyard Subd., Phase 1," prepared by Dewberry & Davis, dated May 5, 1986, and recorded in Book of Maps 1986, page 796, Wake County Registry; runs thence along and with the east right of way lien of Carriage Ridge Way along a curve to the right (said curve having the radius of 965 feet) an arc distance of 46.70 feet to a point and continues thence along the east right of way line of Carriage Ridge Way North 27° 25' 00" East 16.61 feet to the point and place of Beginning; runs thence along the east right of way of Carriage Ridge Way North 27° 25' 00" East 86.24 feet to a point; continues thence along the aforesaid right of way along a curve to the left (said curve having a radius of 318 feet) an arc distance of 150.43 feet to a point; continues thence along said right of way North 00° 18' 47" East 28.25 feet to the point where the east right of way line of Carriage Ridge Way begins to curve into the south right of way lien of Chimney Hill Drive; continues thence along a curve to the right (said curve having a radius of 25 feet) an arc distance of 36.90 feet to a point in the south right of way line of Chimney Hill Drive; runs thence along the south right of way line of Chimney Hill Drive along a curve to the left (said curve having a radius of 649.43 feet) an arc distance of 43.15 feet to a point; continues thence along said right of way North 81° 05' 00" East 58 feet to a point; continues thence along said right of way as it curves to the right (said curve having a radius of 256.93 feet) an arc distance of 90.60 feet; continues thence along said right of way South 78° 42' 00" East 117.30 feet to a point in said right of way where same begins to curve into the west right of way line of Shepherd's Vineyard Drive, said point being identified by North Carolina Grid Coordinates N(Y)=725,010.18 and E(X)=2,051,931.54; runs thence along said right of way as it curves to the right (said curve having a radius of 30 feet) an arc distance of 45.97 feet to a point in the west right of way line of Shepherd's Vineyard Drive; runs thence along the west right of way line of Shepherd's Vineyard Drive along a curve to the left (said curve having a radius of 323.92 feet) an arc distance of 232.92 feet to a point in said right of way; thence leaving the west right of way of Shepherd's Vineyard Drive along a new line through the property of F.M.R.K., Inc. the following courses and distances: South 85° 47' 23" West 58.98 feet to a point, South 07° 08' 26" West 81.98 feet to a point, South 20° 29' 41" West 26.65 feet to a point, South 47° 54' 25" West 20.04 feet to a point, North 88° 18' 29" West 112.64 feet to a point, South 29° 00' 44" West 29.02 feet to a point, South 76° 49' 43" West 23.91 feet to a point, North 35° 31' 45" West 46.85 feet to a point, North 13° 01' 56" West 59.33 feet to a point, North 81° 13' 14" West 51.28 feet to a point, South 02° 51' 58" West 18.10 feet to a point, South 49° 53' 41" West 29.09 feet to a point, South 80° 24' 36" West 27.85 feet to a point, North 56° 44' 31" West 46.55 feet to a point, and North 46° 41' 52" West 81.35 feet to a point in the east right of way line of Carriage Ridge Way, the point and place of Beginning, and being a tract containing 3.27 acres as shown on that As Built Survey entitled "Shepherd's Vineyard Swim & Racquet Club," prepared by Dewberry & Davis, dated June 18, 1986.

## EXHIBIT A, Page 3

TRACT 3

Being all of lots 1 through 11 inclusive; Lots 33 through 54 inclusive and Lots 68 through 73 inclusive, according to map entitled "Shepherd's Vineyard Subd., Phase 1, Apex, Wake County, North Carolina" dated May 5, 1986, prepared by Dewberry & Davis, Engineers and recorded in Book of Maps 1986, Page 796, Wake County Registry.

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TRACT 4

Being all of Lots 74 through 91 inclusive and Lots 132 through 153 inclusive, according to map entitled "Shepherd's Vineyard Subd., Phase 1, Apex Wake County, North Carolina" dated May 5, 1986, prepared by Dewberry & Davis, Engineers, and recorded in Book of Maps 1986, Page 796, Wake County Registry.

MEMBERSHIP TYPE	PROPERTY TYPE	VOTING RIGHTS	1986 MAXIMUM ANNUAL ASSESSMENT	ANNUAL ASSESSMENT @ C.O	ASSESSMENT PURCHASE 1/6 ANNUAL	ASSESSMENT FROM PURCHASE TO C.O.*
TYPE A	See Article III of Declaration	2 votes per lot (unit)	\$144.00	\$144.00	\$24.00	\$6.00
TYPE A <sub>1</sub>	See Article III of Declaration	1 vote per unit	\$144.00	\$144.00	\$24.00	\$6.00
TYPE B	See Article III of Declaration	1 vote per each \$100.00 of annual assessment	\$25.00 acre \$195.00 minimum	\$25.00/acre \$195.00 minimum	1/6 current annual assessment	1/24 current annual assessment
TYPE C	See Article III of Declaration	1 vote per each \$100.00 of annual assessm't	\$600.00 acre	\$25.00/acre \$195.00 minimum	1/6 current annual assessment	1/24 current annual assessment
TYPE C <sub>1</sub>	See Article III of Declaration	1 vote per each \$100.00 of annual assessment	\$0.05/sq. ft. floor space	\$0.05/sq. ft. floor space	1/6 current annual assessment	1/24 current annual assessment
TYPE D	See Article III of Declaration	1 vote per each \$100.00 of annual assessment	\$25.00 acre	\$25.00/acre	N/A	N/A
TYPE E	See Article III of Declaration	Votes only for election of Board of Directors	-0-	Assessment based on Type A, A-1, B, C, C-1 and D.	N/A	N/A

\* Certificate of occupancy or 6 months, whichever

Prepared by and return to:  
Henry W. Jones, Jr.  
Jonathan P. Carr  
P.O. Box 10669  
Raleigh, N.C. 27605-0669

Record in Grantor Index:  
Shepherd's Vineyard Community Association, Inc.

Wake County, NC 503  
Laura M Riddick, Register Of Deeds  
Presented & Recorded 04/17/2002 15:07:11  
Book : 009380 Page : 01159 - 01162

STATE OF NORTH CAROLINA  
COUNTY OF WAKE

**AMENDMENT TO DECLARATION OF COVENANTS AND RESTRICTIONS  
OF THE SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION**

THIS AMENDMENT TO DECLARATION OF COVENANTS AND RESTRICTIONS OF THE SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION (hereinafter "Amendment") is made on the date hereinafter set forth by the Shepherd's Vineyard Community Association, Inc. (hereinafter, "Association").

WITNESSETH:

WHEREAS, a Declaration of Covenants and Restrictions of the Shepherd's Vineyard Community Association is recorded in Book 3821, Page 256 of the Wake County Registry (hereinafter, "Declaration"); and

WHEREAS, Article VIII, Section 2 permits the Declaration to be amended and sets forth procedures and requirements for such an amendment of the Declaration; and

WHEREAS, the members of the Association desire to amend the Declaration as set forth below; and

WHEREAS, the members of the Association have approved this Amendment in accordance with Article VIII, Section 2 of the Declaration and a Certificate of Validity to that effect is attached hereto, marked "Exhibit A" and incorporated by reference herein.

NOW THEREFORE, pursuant to the vote of its members, the Association hereby declares as follows:

1. The first sentence of Article III, Section 6(b) of the Declaration is hereby amended by deleting the phrase "thirty (30%) percent" and by inserting in lieu thereof the following phrase: "ten (10%) percent".

2. This Amendment shall be effective upon recordation in the office of the Wake County Register of Deeds.

3. Except as specifically amended hereinabove, the remaining provisions of the Declaration shall remain in full force and effect in every respect and are hereby acknowledged and confirmed by reference.

IN WITNESS WHEREOF, the Association, pursuant to Article VIII, Section 2 of the Declaration, hereby executes this Amendment to the Declaration.

This the 5<sup>th</sup> day of April, 2002.

SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION, INC.

By: [Signature]  
President



[Signature]  
Secretary

(Corporate Seal)

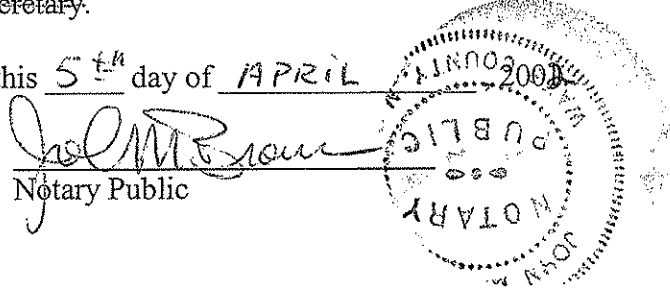
STATE OF NORTH CAROLINA

ACKNOWLEDGEMENT

COUNTY OF WAKE

I, John M. Brown, a Notary Public of the County and State aforesaid, certify that David Shirley, personally came before me this day and acknowledged that he/she is Secretary of **Shepherd's Vineyard Community Association, Inc.**, a North Carolina 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 David Shirley as its Secretary/Assistant-Secretary.

Witness my hand and official stamp or seal, this 5<sup>th</sup> day of APRIL, 2002.  
[Signature]  
Notary Public  
My commission expires: SEPT. 23, 2003



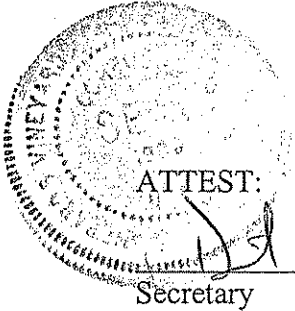
AMENDMENT TO DECLARATION OF COVENANTS AND RESTRICTIONS  
OF THE SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION

EXHIBIT A - CERTIFICATION OF VALIDITY

By authority of its Board of Directors, Shepherd's Vineyard Community Association, Inc. hereby certifies pursuant to Article VIII, Section 2 of the Declaration that a notice of the first meeting of the members to consider the foregoing Amendment was sent on 9-14-01, that such meeting was held on 10-16-01 and expressly adjourned for lack of a quorum; that a notice of the second meeting of the members to consider the foregoing amendment was sent on 11-9-01, that such second meeting was held on 12-12-01, that the total number of votes required to constitute a quorum at the second meeting is 146, and the total number of votes present in person or by proxy at such second meeting was 163; that the total number of votes cast for the Amendment was 157, the total number of votes cast against the Amendment was 6, and the total number of votes necessary to adopt the Amendment was 98; and therefore the foregoing instrument is a valid amendment to such Declaration.

SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION, INC.

By: [Signature]  
President



[Signature]  
Secretary

(Corporate Seal)

STATE OF NORTH CAROLINA

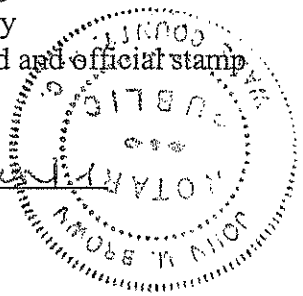
ACKNOWLEDGEMENT

COUNTY OF WAKE

I, John M. Brown, a Notary Public of the County and State aforesaid, certify that David Shirley, personally came before me this day and acknowledged that he/she is Secretary of Shepherd's Vineyard Community Association, Inc., a North Carolina 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 David Shirley as its Secretary/Assistant Secretary. Witness my hand and official stamp or seal, this 5<sup>th</sup> day of April, 2002.

My commission expires: SEPT 23, 2003

[Signature]  
Notary Public



RECORDED AT WAKE COUNTY, N.C.  
BOOK 132 PAGE 302  
Prepared by: Feyner & Spruill

BOOK 132 PAGE 302

NORTH CAROLINA  
WAKE COUNTY

PRESENTED  
FOR  
REGISTRATION

CHIMNEY HILL SECTION

JUN 5 3 40 PM '86

THIS DECLARATION, made this 4<sup>th</sup> day of May, 1986, by  
FMRK, Inc., a North Carolina corporation, hereinafter called  
"Declarant";

W I T N E S S E T H:

WHEREAS, the Declarant is the owner of the real prop-  
erty described in Article I of this Declaration and is desirous  
of subjecting said real property to the protective covenants  
hereinafter set forth; each and all of which is and are for the  
benefit of such property and for each owner thereof, and shall  
insure to the benefit of and pass and run with said property and  
each and every lot or parcel thereof, and shall apply to and  
bind the successors in interest and any owner thereof; and

Whereas, the property is subject to (or may hereafter  
be subjected to) that certain Declaration of Covenants and  
Restrictions of the Shepherd's Vineyard Community Association.

NOW, THEREFORE, the Declarant hereby declares that the  
real property described in and referred to in Article I hereof  
is and shall be further held, transferred, sold and conveyed  
subject to the protective covenants set forth below.

ARTICLE I

The real property which is and shall be held, trans-  
ferred, sold and conveyed subject to the protective covenants  
set forth in the Articles of this Declaration is located in the  
County of Wake, State of North Carolina, and is more particular-  
ly described as follows:

Being all of Lots 74 through 91 inclusive and  
Lots 132 through 153 inclusive, according to map  
entitled "Shepherd's Vineyard Subd., Phase 1, Apex  
Wake County, North Carolina" dated May 5, 1986, pre-  
pared by Dewberry & Davis, Engineers, and recorded in  
Book of Maps 1986, Page 796, Wake County Registry.

No property other than that described above shall be deemed subject to the Declaration until specifically made subject hereto.

The Declarant may, from time to time, subject additional real property to the protective covenants and restrictions herein set forth by appropriate reference hereto.

#### ARTICLE II

The lots described in Article I hereof shall be known and described as residential lots. No building shall be erected, altered, placed or permitted to remain on any residential lot other than one detached single-family dwelling not to exceed two stories in height (exclusive of basement and attic) and a private garage for not more than two cars.

#### ARTICLE III

All dwellings constructed on lots in this subdivision shall have an enclosed area of the main structure, exclusive of one-story open porches and garages, of at least 1200 square feet.

#### ARTICLE IV

(a) Unless prior architectural approval is obtained pursuant to Article XII hereof, no dwelling shall be erected on any lot nearer to the front lot line than 35 feet, nor nearer to the side line than 10 feet, nor nearer than 25 feet from the rear lot line; provided, however, that on corner lots the dwelling may face either street and may be located not nearer than 25 feet to one street if the same is at least 35 feet from the other street. For the purpose of this covenant, eaves, steps and open porches shall not be considered as a part of the dwelling, provided, however, that this shall not be construed to permit any portion of a dwelling on a lot to encroach upon another lot.



shall be erected or placed on any lot covered by these covenants. A storage shed may be permitted at the rear of each lot upon approval of the Architectural Committee after the plans and specifications or a photograph and a plot plan showing the proposed location have been submitted for approval.

ARTICLE VIII

Declarant reserves the right to waive violations not in excess of 10% of the front and side street and side and rear line setback requirements. Upon the execution and recordation of such waiver of waivers in the Wake County Registry, such violations shall not thereafter be deemed existing.

ARTICLE IX

No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot, except that dogs, cats or other household pets may be kept, provided that they are not bred or maintained for any commercial purpose.

ARTICLE X

No lot or portion thereof shall be dedicated or used for a public street without the written consent of the Declarant, its successors or assigns.

ARTICLE XI

No fence, hedge or screen planting shall be erected or permitted to remain on any lot closer to the front lot line than the front of the dwelling erected on said lot.

ARTICLE XII

ARCHITECTURAL APPROVAL. No building, fence, wall or other structure shall be erected, placed, or altered on any premises in said development until, the provisions of Article VII of the Declaration of Covenants and Restrictions of the Shepherd's Vineyard Community Association have been complied with.

ARTICLE XIII

Enforcement of these covenants shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any covenant either to restrain violation or to recover damages.

ARTICLE XIV

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

ARTICLE XV

These covenants are to run with the land and shall be binding on all parties and all persons claiming under them for a period of twenty-five years from the date these covenants are recorded, after which time said covenants shall be automatically extended for successive periods of ten years unless an instrument signed by a majority of the then owners of the lots has been recorded agreeing to change said covenants in full or in part.

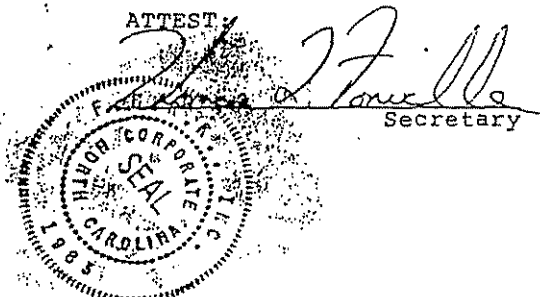
ARTICLE XVI

Declarant reserves the right to subject said property to a contract with Carolina 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 Carolina Power and Light Company by the Owner of each lot.

IN TESTIMONY WHEREOF, FMRK, Inc. has caused this instrument to be executed as of the day and year first above written.

FMRK, INC.

ATTEST:



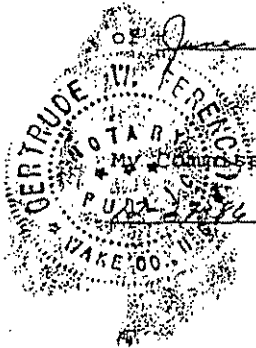
By J. S. Mow President

NORTH CAROLINA

WAKE COUNTY

I, Gertrude W. Ferenczi, a Notary Public of the County and State aforesaid, certify that John C. Moring personally came before me this day and acknowledged that (s)he is the Vice President of FMRK, INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its sealed with its corporate seal, and attested by Thomas R. Donnell as its Secretary.

Witness my hand official stamp or seal, this 4<sup>th</sup> day \_\_\_\_\_, 1986.



Gertrude W. Ferenczi  
Notary Public

NORTH CAROLINA - WAKE COUNTY

The foregoing certificate \_\_\_\_\_ of \_\_\_\_\_

Gertrude W. Ferenczi  
\_\_\_\_\_  
Notary Public is

(are) certified to be correct. This instrument and this certificate are duly registered at the date and time and in the book and page shown on the first page hereof

KENNETH C. WILKINS, Register of Deeds

By Joseph L. Johnson  
\_\_\_\_\_  
Asst./Deputy Register of Deeds

BY-LAWS  
OF  
SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION. The name of the corporation is SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION, INC., hereinafter referred to as the "Association". The Principal office of the corporation shall be located at 4505 Falls of Neuse Road, Raleigh, North Carolina 27609 but meetings of members and directors may be held at such places within the State of North Carolina, County of Wake, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

The following words and terms when used in this Declaration or any supplemental declaration (unless the context shall clearly indicate otherwise) shall have the following meanings:

(a) "Association" shall mean and refer to Shepherd's Vineyard Community Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

(b) "Shepherd's Vineyard" shall mean and refer to the lands in Apex, North Carolina, which are shown as a part of Shepherd's Vineyard on the Company's Master Plan as revised from time to time.

(c) "Company" shall mean FMRK, Inc., a North Carolina corporation, its successors and assigns.

(d) "Developer" shall mean FMRK, INC., a North Carolina corporation, its successors and assigns.

(e) "Affiliate" shall mean any corporation owning more than fifty percent (50%) of the voting stock or which is owned or controlled by the Company or the Developer, and any partnership or joint venture in which the Company or the Developer has more than a fifty percent (50%) or more of the cash flow from such partnership or joint venture.

(f) The "Properties" shall mean and refer to the Existing property described in Article II hereof, and additions thereto, as are subjected to this Declaration or any Supplementary Declaration under the provisions of Article II hereof.

(g) "Residential Lot" shall mean any subdivided parcel of land located within the Properties for which no building permit has been issued by the appropriate governmental authorities and which parcel is intended for use as a site for a Single Family Detached Dwelling, Duplex Unit, or Patio Home (or Zero lot line) as shown upon any recorded final subdivision map or any part of the Properties. No parcel shall, however, be classified as a Residential Lot until the first day of the quarter of the year following after all of the following have occurred:

- (1) Recording of a Plat in the Register of Deeds Office of Wake County, North Carolina, showing such Residential Lot;

- (2) The Lot has been placed on a "Inventory List" (as defined in Section 3(c) of Article V) of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, in those cases where the Lot is owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates.
- (3) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as a Residential Lot in those cases where the Lot is owned by any third party other than the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates.

(h) "Multiple-Family Tract" shall mean any unimproved parcel of land located within the Properties, intended for development of Attached Residential Units including Townhouses, Condominiums and Apartments as defined and controlled by the applicable zoning for Shepherd's Vineyard. For the purposes of this Declaration, a parcel of land shall not be deemed a "Multiple-Family Tract" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property for Multiple-Family use is recorded in the Register of Deeds Office of Wake County, North Carolina, provided, however, that any property within said parcel of land which also qualified as an "Exempt Property" as defined in paragraph (n) of this

Article I shall not be deemed part of said Multiple-Family Tract for the purposes of calculating Assessments or votes. A Multiple-Family Tract, or portions of said Multiple-Family Tract, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in Section 3(d) of Article V.

(i) "Public or Commercial Site" shall mean any unimproved parcel of land within the Properties, intended for use as a site for improvements designed to accommodate commercial, governmental, or business enterprises to serve Residents of Shepherd's Vineyard and/or the public, including, but not limited to: business and professional offices; facilities for the retail sale of goods and services; banks and other financial institutions; social clubs; restaurants; theaters; lounges; indoor and outdoor recreational facilities; hospitals and medical clinics; laboratories and other research and development facilities; commercial warehouses; transportation terminals or stations; automobile parking facilities; gasoline stations; and residential dwelling units within multi-use public or commercial buildings or facilities; provided, however, that a "Public or Commercial Site" shall not include property upon which improvements are to be built which also qualifies as a Multiple-Family Tract, nor shall it include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. For

the purposes of this Declaration, a parcel of land shall not be deemed a "Public or Commercial Site" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Public or Commercial Site is recorded in the Register of Deeds Office of Wake County, North Carolina. A Public or Commercial Site, or portions of said Site, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties as defined in Section 3(e) of Article V.

(j) "Development Unit Parcel" shall mean and refer to any parcel or tract of land within the Properties, conveyed by the Company to any third party under Covenants and Restrictions permitting the division of such parcel or tract into smaller land units such as Residential Lots, Multiple-Family Tracts, or Public or Commercial Sites. For the purposes of this Declaration, a parcel of land shall not be deemed a "Development Unit Parcel" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such property as a Development Unit Parcel is recorded in the Register of Deeds Office of Wake County, North Carolina provided, however, that a "Development Unit Parcel" shall not include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. A Development Unit Parcel, or portions thereof, shall remain classified as such until further

subdivided and classifiable as a Residential Lot(s) or Multiple-Family Tract, or Public or Commercial Site pursuant to Section 3(h) of Article V.

(k) "Unsubdivided Land" shall mean and refer to all land in the Existing Property described in Article II hereof, and additions thereto, as are subjected to this Declaration of any supplemental declaration under the provisions of Article II hereof, which has not been subdivided into and classified as Residential Lots, Multiple-Family Tracts, Public or Commercial Sites, or Development Unit Parcels, through metes and bounds subdivision plats recorded in the Register of Deeds of Wake County, North Carolina provided, however, that "Unsubdivided Land" shall not include any property which also qualifies as "Exempt Property" in paragraph (n) of this Article I. Unsubdivided Land, or portions thereof, shall remain classified as such until subdivided and classifiable as a Residential Lot or Lots, Multiple-Family Tract, Public or Commercial Site, or Development Unit Parcel pursuant to Section 3 of Article V.

(l) "Family Dwelling Unit" shall mean and refer to any improved property or any property formerly classified a Residential Lot for which a building permit has been issued by the appropriate governmental authorities, which property is located within the Properties and intended for use as a Single Family Dwelling, including without limitation, any Single-Family Detached Dwelling, Duplex Unit, Patio Home (or Zero lot line),

Condominium Unit, Townhouse Unit, Cooperative Apartment Unit or Apartment Unit located within the Properties.

(m) "Public or Commercial Unit" shall mean and include any improved parcel of land within the Properties which is intended and designed to accommodate public, commercial, and/or the public, including, but not limited to all those enterprises enumerated in subparagraph (i); provided, however, that a "Public or Commercial Unit" shall not include any property which also qualifies as "Exempt Property" as defined in paragraph (n) of this Article I. A parcel of land shall not be deemed to be improved until the improvements being constructed on said parcel are sufficiently complete to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as improved properties.

(n) "Exempt Property" shall mean and refer to the following classifications of property within the Properties;

- (1) All land designated on the Master Plan for intended use, or by actual use if applicable, for
  - (i) indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, and the Association.
- (2) All lands and any improvements thereon designated in any way as Common Properties; or Restricted Common Properties;

- (3) All lands and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Properties and Intended Restricted Common Properties;
- (4) All lands designated on the Master Plan or on recorded plats as Open Space or Private Open Space (hereinafter referred to, respectively, as "Open Space Areas") and "Private Open Space Areas"), and any improvements thereon which are defined in subparagraph (1) of this paragraph (n);
- (5) Property which is used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, Restricted Common Properties, Intended Restricted Common Properties, and facilities within Open Space Areas which are defined in subparagraph (1) of this paragraph (n);
- (6) Property which is used for the maintenance, operation, and service of utilities within the Properties;
- (o) "Owner shall mean and refer to the Owner as shown by the Real Estate Records in the Register of Deeds Office of Wake County, North Carolina, whether it be one (1) or more

persons, firms, associations, corporations, or other legal entities, of fee simple title to any Residential Lot, Family Dwelling Unit, Multiple-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or Undivided Land situated upon the Properties but, notwithstanding any applicable theory of a deed of trust, shall not mean or refer to the mortgages or holder of a deed of trust, its successors or assigns, unless and pursuant to foreclosure or a proceeding or deed in lieu of foreclosure; nor shall the term "Owner" mean or refer to any lessee or Tenant of an Owner. In the event that there is recorded in the Office of the Register of Deeds of Wake County, North Carolina, a long-term contract of sale covering any Lot or Parcel of land within the Properties, the Owner of such Lot or Parcel of land shall be the Purchaser under said contract and not the fee simple title holder. A long-term contract of sale shall be one where the Purchaser is required to make payments for the Property or a period extending beyond nine (9) months from the date of the contract and where the Purchaser does not receive title to the Property until all such payments are made, although the Purchaser is given the use of said Property.

(p) "Tenant" shall mean and refer to the lessee under a written agreement for the rent and hire of a Family Dwelling Unit or Public or Commercial Unit in Shepherd's Vineyard.

(q) "Resident" shall mean and refer to each Owner and Tenant of a Family Dwelling Unit who resides in Shepherd's Vineyard

(r) "Member" shall mean and refer to all those Owners and Tenants who are Members of the Association as defined in Section 1 of Article III.

(s) "Master Plan" shall mean and refer to the drawing which represents the conceptual plan for the future development of Shepherd's Vineyard. Since the concept of the future development of Shepherd's Vineyard is subject to continuing revision and change by the Company, present and future references to the "Master Plan" shall be references to the latest revision thereof.

(t) "Intended for Use" shall mean the use intended for various parcels within the Properties as shown on the Master Plan of Shepherd's Vineyard prepared by the Company as the same may be revised from time to time by the Company, or the use to which any particular parcel of land is restricted by Covenants expressly set forth or incorporated by reference in deeds by which the Company has conveyed the property.

(u) "Common Properties" shall mean and refer to those tracts of land with all improvements thereon which are deeded or leased to the Association and designated in said deed or lease as "Common Properties." The term "Common Properties" shall also include any personal property acquired or leased by the Association if said property is designated a "Common Property." All Common Properties are to be devoted to and intended for the

common use and enjoyment of the Members of the Association, their guests, and visiting members of the general public (to the extent permitted by the Board of Directors of the Association) subject to the fee schedules and operating rules adopted by the Association. Common Properties shall not include those tracts of land falling within the definition of "Restricted Common Properties" set forth below.

(v) "Restricted Common Properties" shall mean and refer to those tracts of land with all improvements thereon which are designated as "Common Properties" or "Common Area" on any map of a portion of the Property which is under the control and jurisdiction of a "Sub-Association", as hereinafter defined, and which is reserved or restricted for the use of members of such Sub-Association.

(w) "Intended Common Property" shall mean and refer to those tracts of land and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey said property to the Association as a Common Property.

(x) "Intended Restricted Common Property" shall mean and refer to those tracts of land and any improvements thereon committed by the Company to become Restricted Common Property.

(y) "Referendum" shall mean and refer to the power of all or some specific portion of the Members to vote by mailed ballots on certain actions by the Board of Directors of the Association more particularly set forth herein. In the event

fifty-one (51%) percent of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members, provided, however, that if a higher or lower percentage required to "pass" shall be specifically expressed herein, that higher or lower percentage shall control in that instance.

(z) "Sub-Associations" shall be North Carolina non-profit corporations established by developers of places or portions of the Properties requiring an association to manage the affairs of its members and properties owned by or under the control of such Sub-Association pursuant to the provisions of Declaration of Covenants and Conditions applicable only to such areas, the form, content and provisions of which shall be subject to the review and approval of the Company.

(aa) "Neighborhood Areas" shall mean various areas within Shepherd's Vineyard each of which have been subjected to Additional Restrictive Covenants applied only to such area.

(bb) "Neighborhood Covenants" shall mean the additional Restrictive Covenants applicable only to a particular Neighborhood Area, the form, content and provisions of which shall be subject to the review and approval of the Company.

(cc) "Board of Directors" shall mean those persons elected or appointed to act collectively as the directors of the Association.

(dd) "Bylaws" shall mean the bylaws of the Association as they now or hereafter exist.

(ee) "INSTITUTIONAL LENDER" shall mean any bank, insurance company, trust company, real estate investment trust, savings and loan association, pension fund, or other first mortgage lender holding a first mortgage or deed of trust on any of the Property.

(ff) "Multiple-Family Dwelling Unit" shall mean any Attached Residential Units including townhouses, condominiums and apartments.

(gg) "Apartment Unit" shall mean any Attached Residential Units not for sale as individual units.

### ARTICLE III

Section 1. Annual Meetings. The first annual meeting of the members shall be held within eighteen months after the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held in the same month of each year thereafter, on the day and at the hour specified in the notice to members of the meeting.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the Type A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction

of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, not less than 30 days nor more than 60 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the Association's membership list, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, thirty percent (30%) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, with the exception of any meeting called to vote on the termination of this Declaration described in subparagraph (a(v)) above, another meeting or meetings may be called subject to the giving of proper notice and the required quorum at such subsequent meeting or meetings shall be one-half (1/2) of the required quorum at the preceding meeting.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot. Proxies shall not be required for any action which is subject to a Referendum, in which case the votes of all

the Members polled shall be made by specifically provided ballots mailed or delivered to the Association.

#### ARTICLE IV

##### BOARD OF DIRECTORS: SECTION: TERM OF OFFICE

Section 1. Number. The affairs of this association shall be managed by a Board of five (5) directors, who need not be members of the Association (the "Initial Board").

Section 2 Term of Office. At the first annual meeting the members shall elect two directors for a term of one year, two directors for a term of two years, and one director for a term of three years, and at each annual meeting thereafter the members shall elect directors for the terms expiring that year for a term of two years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the

written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

## ARTICLE V

### NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot.

(a) Each Member of Type "A", "A-1", "B", "C", "C-1" and "D" Membership classes shall be entitled to as many votes as equals the total number of votes he is entitled to based on his Ownership of or Tenancy in one (1) or more of the various classifications of property as computed by the

formula set out hereinabove in Section 2 hereof. Each Member may cast the total number of votes to which he is entitled for each vacancy to be filled by a Class I Director. Cumulative voting shall not be allowed. Members, except the Type "E" Membership, are divided into classes for the purpose of computing voting rights and shall not vote as a class.

(b) The Type "A", "A-1", "B", "C", "C-1" and "D" Members shall elect the Class I Director(s), and the Type "E" Member shall elect the Class II Director(s) according to the following formula:

(1) The number of Class I Directors shall be determined by (A) dividing the number of Residential Lots and Family Dwelling Units owned by Type "A" and "A-1" Members by the cumulative maximum number of Residential Lots and Family Dwelling Units authorized by the Zoning Ordinances of the Town of Apex as of July 1, 1986 and (B) then multiplying the resulting quotient by the total number of Directors, and (C) round the result to the nearest whole number, e.g., 1.49 = 1, and 1.50 = 2.

(2) The number of Class II Directors shall be determined by subtracting the number of Class I Directors from the total number of Directors. The Class II Directors shall be elected by the Type "E" Member.

(3) For the purposes of this formula, the number of Residential Lots and Family Dwelling Units owned by Type "A" and Type "A-1" Members and the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties shall be determined by the Board of Directors as of the date on which notice of the meeting of the Members at which the Board of Directors is to be elected is mailed.

Section 3. Members to Have Power of Referendum in Certain Instances. Where specifically provided for herein, the Members, or some specific portion thereof, shall have the power to approve or reject certain actions proposed to be taken by the Association by Referendum. In the event fifty-one (51%) percent, or more, of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members; provided, however, that if a higher percentage vote required to "pass" shall be specifically expressed herein, that higher percentage shall control in that instance. The Board of Directors may not undertake any action requiring a Referendum without complying with the provisions hereof. At any time that the Type "A", "A-1", "B" "C". "C-1" and "D" members have the ability to elect a major of the Board of Directors, the Members may require a Referendum on any action of the Board of Directors by presenting to the Secretary of the Board within thirty (30) days of the taking of

such action or ratification by the Board of its intent to take such action a petition signed by not less than twenty-five (25%) percent of the Members.

## ARTICLE VI

### MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

## ARTICLE VII

### POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

- (a) adopt, publish, and amend rules and regulations governing the use of the Common Area and facilities, and

the personal conduct of the members and their guests thereon, and to establish fines or penalties for the infraction thereof.

(b) suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days from infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and

(f) contract for the provision of a central television antenna, or, in the absence of the availability thereof, to supply cablevision for the convenience of the members, the cost of either of which may be included in annual or

special assessments, and regulate or prohibit the erection of television antennas or disc on individual lots.

(g) collect from the Members and remit to the SHEPHERD'S VINEYARD COMMUNITY ASSOCIATION, INC. dues or assessments due pursuant to the Master Covenants.

(h) merge or consolidate with another association as provided in the Declaration and Articles of Incorporation.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each lot at least thirty (30) days in advance in each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within ninety (90), thirty (30), or fifteen (15) days after due date as determined by the Board of Directors or to bring an action at law against the owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain liability and hazard insurance on property owned by the Association in an amount equal to one hundred percent (100%) insurable replacement value;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and to obtain director's and officer's liability insurance;

(g) cause the Common Area to be maintained as required in the Declaration, including the maintenance, repair and reconstruction of any water impoundment areas and private streets situated on the Common Area;

(h) pay all ad valorem taxes and public assessments relating to the Common Area and storm water impoundment area.

(i) pay the premium for all hazard insurance procured pursuant to the requirements of the Declaration.

(j) upon written request from the holder, insurer or guarantor of any first mortgage or deed of trust on any lot(s), issue timely written notice of:

(1) any condemnation or casualty that affects either a material portion of the project or the lot securing its mortgage or deed of trust,

(2) any 60-day delinquency in the payment of assessments or charges owed by the owner of any lot on which it holds the mortgage or deed of trust,

(3) a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association, and

(4) any proposed action that requires the consent of a specified percentage of mortgage holders.

(k) prepare accurate indexes of Members, Property Classifications, Votes, Assessments, the Cumulative Maximum Number of Residential Lots and Family Dwelling Units Authorized in the Properties, and the Maximum Regular Annual Assessment;

(l) operate an Architectural Review Board;

(m) hold Annual Meetings, Special Meetings, and Referendums as required, hold elections for the Board of

Directors as required, and give Members "proper notice" as required;

(n) prepare Annual Statements and Annual Budgets, and shall make the financial books of the Association available for inspection by Members at all reasonable times.

(o) provide regular and thorough cleanup of all roads, roadways, roadway medians, parkways, cul-de-sac and roadway islands, neighborhood and other entrances, and bike trails throughout the Properties, including, but not limited to, mowing grass on all roadsides, cul-de-sac and roadway islands, entrances, parks, and bike trails; sweeping all roads and bike trails; landscape maintenance on all roadsides, cul-de-sac and roadway islands, entrances and bike trails; pickup and disposal of trash on all roads, roadsides, cul-de-sac and roadway islands, entrances, parks and bike trails. Such cleanup as is possible shall begin within an individual residential neighborhood as soon as construction of dwellings has commenced within said neighborhood.

(p) provide general maintenance of all identification, informational and directional signs, bike trail signs, and neighborhood and other area signs, including, but not limited to, painting, light replacement, repair work and replacement as needed.

(q) repave all paved bike trails as needed.

(r) operate and maintain all streetlights along public roads and within all Common Properties.

(s) provide regular and thorough maintenance and cleanup of all Common Areas including, but not limited to, mowing of grass, fertilization as needed, landscape maintenance as needed, pickup and disposal of trash, repair, maintenance and replacement of sprinkler systems, washing down of picnic tables and benches as needed, and painting, repairs to and replacement of all improvements as needed.

#### ARTICLE VIII

##### OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and vice president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice-President

(b) The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by an independent public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the members.

## ARTICLE IX

### COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

## ARTICLE X

### BOOKS AND RECORDS

The books, records and papers of the Association shall at all times during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

## ARTICLE XI

### ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid on or before the due date as determined by the Board of Directors, the assessment shall bear interest from the date of delinquency at the rate of ten percent (10%) per annum. If the assessment is not paid within thirty (30) days after the

due date, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and 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 assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

#### ARTICLE XII

#### CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Shepherd's Vineyard Community Association, Inc.

#### ARTICLE XIII

#### AMENDMENTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the members, by the approval of two-thirds (2/3) of the votes cast at such meeting subject to the normal quorum requirements, except that so long as the Company, as the Type "E" Member, is entitled to elect a majority of the Members of the Board of Directors of the Association, no Amendment of this Declaration shall be made without the consent of the Company; and until the end of the period of development no Amendment of this Declaration shall be made without the consent of the Company which would have the affect of creating a disproportionate increase in the Maximum Regular Annual Assessment, the

actual assessment levied, or any Special Assessment of any Class of Owners.

Notwithstanding the foregoing, the Company, for so long as it shall retain control of the Board of Directors of the Association, and, thereafter, the Board of Directors, may amend this Declaration as shall be necessary, in its opinion, with the consent and approval of VA or HUD, FNMA and without the consent of any Owner, in order to qualify the Association for tax-exempt status, and to correct obvious errors and omissions herein. Such amendment shall become effective upon the date of its recordation in the Wake County Registry.

Section 2. In the case of a conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

#### ARTICLE XIV

#### MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

\*

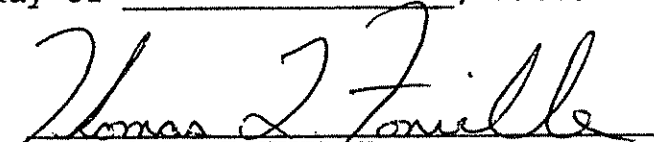
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IN WITNESS WHEREOF, we, being all of the directors of

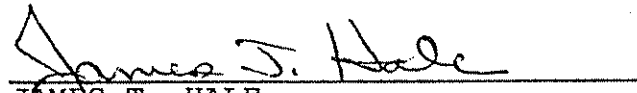
the Shepherd's Vineyard Community Association, Inc., have here-  
unto set our hands this \_\_\_ day of \_\_\_\_\_, 1986.


  
THOMAS L. FONVILLE

  
WILLIAM VERNON HESS

  
GERTRUDE FERENCZI

*Linda C.*

  
JAMES T. HALE

  
F. L. ROBUCK, JR.

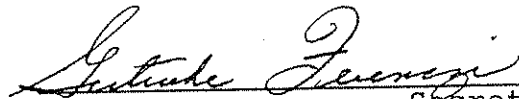
CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of the Shepherd's Vineyard Community Association, Inc., a North Carolina corporation, and,

THAT the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 5<sup>th</sup> day of September, 1986.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 5<sup>th</sup> day of September, 1986.

  
Secretary

243-020590-22

North Carolina

Wake County

Oakcrest Section

THIS DECLARATION, made this 13<sup>th</sup> day of February 1990, by FMRK, Inc., a North Carolina corporation, hereinafter called "Declarant";

WITNESSETH:

WHEREAS, THE Declarant is the owner of the real property described in Article I of this Declaration and is desirous of subjecting said real property to the protective covenants hereinafter set forth; each and all of which is and are for the benefit of such property and for each owner thereof, and shall insure to the benefit of and pass and run with said property and each and every lot or parcel thereof, and shall apply to and bind the successors in interest and any owner thereof; and

Whereas, the property is subject to (or may hereafter be subjected to) that certain Declaration of Covenants and Restrictions of the Shepherd's Vineyard Community Association.

NOW, THEREFORE, the Declarant hereby declares that the real property described in and referred to in Article I hereof is and shall be further held, transferred, sold and conveyed subject to the protective covenants set forth below.

ARTICLE I

The real property which is and shall be held, transferred, sold and conveyed subject to the protective covenants set forth in the Articles of this Declaration is located in the County of Wake, State of North Carolina, and is more particularly described as follows:

Being all of Lots 301-307, inclusive, Lots 332-338, inclusive, and Lots 351-374, inclusive according to plat entitled "Final Plat, Shepherd's Vineyard Subdivision, Phase 6, Section 1", dated September, 1 1989, Prepared by Dewberry & Davis, Architects, Engineers, Planners, Surveyors and recorded in Book of Maps 1989, Page 1378, Wake County Registry.

No property other than that described above shall be deemed subject to the Declaration until specifically made subject hereto.

The Declarant may, from time to time, subject additional real property to the protective covenants and restrictions herein set forth by appropriate reference hereto.

ARTICLE II

The lots described in Article I hereof shall be known and described as residential lots. No building shall be erected, altered, placed or permitted to remain on any residential lot other than one detached single-family dwelling not to exceed two stories in height (exclusive of basement and attic) and a private garage for not more than two cars.

ARTICLE III

All dwellings constructed on lots in this subdivision shall have an enclosed area of the main structure, exclusive of one-story open porches and garages, of at least 1200 square feet.

ARTICLE IV

(A) Unless prior architectural approval is obtained pursuant to Article XII hereof, no dwelling shall be erected on any lot nearer to the front lot line than 35 feet, nor nearer to the side line than 10 feet, nor nearer than 25 feet from the rear lot line; provided, however, that on corner lots the dwelling may face either street and may be located not nearer than 25 feet to one street if the same is at least 35 feet from the other street. For the purpose of this covenant, eaves, steps and open porches shall not be considered as a part of the dwelling, provided, however, that this shall not be construed to permit any portion of a dwelling on a lot to encroach upon another lot.

ARTICLE V

No dwelling shall be erected or placed on any lot having a width less than 75 feet at the minimum building setback line; nor shall any dwelling be erected or placed on any lot having an area of less than 10,000 square feet, except that a dwelling may be erected or placed on all lots as shown on said recorded plat, regardless of width at the minimum building setback line or area in square feet.

ARTICLE VI

No noxious or offensive trade or activity shall be carried on upon any lot, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood. No trade materials or inventories may be stored upon the premises and no trucks, tractors, or inoperable automobiles may be stored or regularly parked on the premises. No business activity or trade of any kind whatsoever, which shall include but

not be limited to the use of any residence as a doctor's office or professional office of any kind, a fraternity house, a rooming house, a boarding house, an antique shop or gift shop shall be carried on upon any lot. Except with the prior approval of Declarant or the Architectural Committee, no communication tower, television tower or satellite disc shall be erected or placed upon any lot.

ARTICLE VII

No trailer (except recreational vehicles and boats which are parked behind the dwelling ), tent, shack, or barn shall be erected or placed on any lot covered by these covenants. A storage shed may be permitted at the rear of each lot upon approval of the Architectural Committee after the plans and specifications or a photograph and a plot plan showing the proposed location have been submitted for approval.

ARTICLE VIII

Declarant reserves the right to waive violations not in excess of 10% of the front and side street and side and rear line setback requirements. Upon the execution and recordation of such waiver of waivers in the Wake County Registry, such violations shall not thereafter be deemed existing.

ARTICLE IX

No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot, except that dogs, cats or other household pets may be kept, provided that they are not bred or maintained for any commercial purpose.

ARTICLE X

No lot or portion thereof shall be dedicated or used for a public street without the written consent of the Declarant, its successors or assigns.

ARTICLE XI

No fence, hedge or screen planting shall be erected or permitted to remain on any lot closer to the front lot line than the front of the dwelling erected on said lot.

ARTICLE XII

ARCHITECTURAL APPROVAL. No building, fence, wall or other structure shall be erected, placed, or altered on any premises in said development until, the provisions of Article VII of the Declaration of Covenants and Restrictions of the Shepherd's Vineyard Community Association have been complied with.

ARTICLE XIII

Enforcement of these covenants shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any covenant either to restrain violation or to recover damages.

ARTICLE XIV

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

ARTICLE XV

These covenants are to run with the land and shall be binding on all parties and all persons claiming under them for a period of twenty-five years from the date these covenants are recorded, after which time said covenants shall be automatically extended for successive periods of ten years unless an instrument signed by a majority of the then owners of the lots has been recorded agreeing to change said covenants in full or in part.

ARTICLE XVI

Declarant reserves the right to subject said property to a contract with Carolina 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 Carolina Power and Light Company by the Owner of each lot.

IN TESTIMONY WHEREOF, FMRK, Inc. has caused this instrument to be executed as of the day and year first above written.

Real Estate Disclosure Information

**Shepherd's Vineyard**

The following questions are included on the current NC Real Estate Property Disclosure Form. Please use this information as a guide.

To your knowledge, is the property subject to regulation by one or more owners' association or governing documents which impose various mandatory covenants, conditions, and restrictions upon the lot, including but not limited to obligations to pay regular assessments or dues and special assessments? If your answer is yes, please provide the information requested below as to each owners' association to which the property is subject.

Yes	
No	
No Representation	

Legal association name: **Shepherd's Vineyard**

Regular assessments ("**dues**") are **\$90.00 Quarterly**

The **name, address and telephone number** of the president of the owners' association or association manager:

PPM Inc.

919-848-4911

Mailing Address:

PO Box 478

Portsmouth, NH 03802

The **fees charged** by the association or management company in connection with the **statement of unpaid assessments** are as follows: **\$200.**

As of this date, there **no** other dues, fees or special assessments which have been duly approved by the applicable declarations or bylaws and that are payable to the association to which the lot is subject.

<b>True</b>	X
<b>False.</b> State the nature and amount of dues, fees, or	

special assessments to which the property is subject:	
No Representation	

As of this date there are **no** unsatisfied judgments against or pending lawsuits involving **this association** with the exception of any action filed by the association for the collection of delinquent assessments on other lots.

<b>True</b>	X
<b>False.</b> State the nature and amount of each pending lawsuit, and the amount of each unsatisfied judgment:	
No Representation	

**Services and amenities paid for by the above owners' association from regular assessments ("dues")**

Management Fees	Yes
Exterior Building Maintenance of Property to be Conveyed	No
Exterior Yard/Landscaping Maintenance of Lot to be Conveyed	No
Common Area Maintenance	Yes
Trash Removal	No
Recreational Amenity Maintenance (specify amenities covered) Listed Below:	Yes

Tennis courts, volleyball court, playground, greenway	
Pest Treatment/Extermination	No
Street Lights	No
Water	No
Sewer	No
Storm Water Management/Drainage/Ponds	No
Internet Service	No
Cable	No
Private Road Maintenance	No
Parking Area Maintenance	No
Gate and/or Security	No
Other (specify) Listed Below:	