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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
VALLEY SPRINGS**

**THIS DOCUMENT REGULATES OR PROHIBITS THE DISPLAY OF
POLITICAL SIGNS AND THE FLAG OF THE UNITED STATES OF AMERICA
OR STATE OF NORTH CAROLINA**

Prepared by and return to:
SAB Valley Springs, LLC
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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
VALLEY SPRINGS**

THIS DECLARATION is made as of the _____ day of _____, 2017 by **SAB VALLEY SPRINGS, LLC**, a North Carolina limited liability company, with reference to the following facts:

RECITALS

WHEREAS, Declarant is the owner of certain real property located in Durham County, North Carolina, and more particularly described in the Exhibit A attached hereto and incorporated herein by reference.

WHEREAS, Declarant is creating on the Property (as defined in Section 1.14 hereof) a Planned Community, as defined in the North Carolina Planned Community Act, which shall be a residential community of detached single family homes to be known as "Valley Springs".

WHEREAS, Declarant desires to provide for the preservation and maintenance of the Common Elements (also referred to as Common Areas) and for certain other responsibilities in connection with Valley Springs and to this end desires to subject the Property, together with such additions as may hereafter be annexed thereto, to the covenants, conditions, restrictions, and easements hereinafter set forth, each and all of which is and are for the benefit of Valley Springs and each Owner thereof.

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

ARTICLE 1- DEFINITIONS

The following terms shall have the following meanings when used in this Declaration:

1.01. Additional Property.

“Additional Property” means any real property that adjoins the boundaries of the Property described in Exhibit A, or whose boundary is within 8,000 feet of any boundary line of the Property described in Exhibit A, all or any portion of which may from time to time be made subject to this Declaration pursuant to the provisions hereof.

1.02. Approved Builder.

“Approved Builder” means Lennar Carolinas, Inc., a Delaware limited liability company or any entity to which the same assigns some or all of its Approved Builder rights/status by way of assignment (executed by assignor and assignee and approved by Declarant) recorded in the Office of the Register of Deeds of Durham County, North Carolina.

1.03. Association.

“Association” means Valley Springs Homeowners Association, Inc., a North Carolina non-profit corporation, its successors and assigns. The Association shall have all powers set forth in §47F-3-102 of the Planned Community Act.

1.04. Board.

“Board” means the Board of Directors of the Association.

1.05. Bylaws.

“Bylaws” means the Bylaws of the Association, including any amendments thereto.

1.06. Common Elements.

“Common Elements” (also sometimes referred to as Common Areas) means all real property and real property interests (including improvements thereto) owned or leased by the Association, or owned by the Declarant to be ultimately conveyed to the Association, for the common use and enjoyment of the Owners, including the Recreational Common Area when conveyed to the Association. Common Elements will include easements, rights of way and similar estates owned or leased by the Association, but will not include the real property underlying such interests.

Common Elements will not include future Lots that may be platted from time to time by Declarant, in its sole discretion.

Declarant reserves the right, in its sole discretion, without the consent of the Association or its Members, to convey from time to time such additional Common Elements to the Association, which Common Elements may include portions of any additional land annexed by Declarant pursuant to Section 11.04 hereof, and the Association shall accept any such conveyance of additional Common Elements, and thereafter, such additional Common Elements shall be held and maintained by the Association.

1.07. County.

“County” means Durham County in the State of North Carolina.

1.08. Declarant.

“Declarant” means **SAB VALLEY SPRINGS, LLC**, a North Carolina limited liability company, and any successor or assign to whom Declarant assigns its rights and interests as Declarant hereunder in whole or in part by instrument recorded in the Register of Deeds for the County.

1.09. Declarant’s Development Period.

“Declarant’s Development Period” shall mean and refer to the Period of time commencing on the date of this Declaration and continuing until the first to occur of the following events:

- (a) the later of 120 days following or the date of the annual meeting following the date upon which the Declarant or any affiliate of Declarant, or any successor Declarant, shall no longer own any Lot within the Property or any portion of the Property or any contractual right in any portion of the Property, including any Additional Property annexed or to be annexed pursuant to Section 11.04;
- (b) thirty (30) years from the recording of this Declaration; or
- (c) the date Declarant records a notice in the Register of Deeds for the County expressly terminating its Class B membership.

1.10. Dwelling.

“Dwelling” shall mean and refer to a detached single-family residence constructed on a Lot in the Property.

1.11. Lot.

“Lot” shall mean any separately numbered plot of land, regardless of size, as shown on a recorded subdivision plat of the Property. Common Elements are not Lots. Declarant reserves the right to reconfigure from time to time, without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by the Declarant to create additional Lots, to eliminate existing Lots or to create additional Common Elements, provided such changes comply with the requirements of the appropriate governmental authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots, and upon the recording by Declarant of a revised plat, each Lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat,

shall cease to be a "Lot" as defined in this Declaration, and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

1.12. Member.

"Member" shall mean and refer to every person or entity entitled to membership with voting rights in the Association.

1.13. Owner.

"Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property, including contract sellers but excluding those having such interest merely as security for the performance of an obligation.

1.14. Planned Community Act.

"Planned Community Act" means the North Carolina Planned Community Act, codified as N.C. Gen. Stat. §47F.

1.15. Plat.

"Plat" or "Plats" shall mean any recorded graphic representation drawn to scale showing the location and geographic boundaries of individual lots, tracts, parcels, blocks, subdivisions, open spaces, rights of way, easements and, if applicable, common areas for all or portions of the subdivision, as approved by the City, as amended from time to time. The Declarant reserves the right to alter, modify or replat all or any portion of a subdivision Plat as it deems desirable in its sole discretion.

1.16. Property.

"Property" shall mean and refer to the land described in Exhibit A, which is herein made subject to this Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association, including the Additional Property, as may be recorded by Declarant in its sole discretion.

1.17. Recreational Common Area.

"Recreational Common Area" shall mean and refer to that portion of the Property which Declarant may complete and convey or cause to be conveyed to the Association for the common use and enjoyment of its Members as recreational land, together with any and all improvements which may be constructed thereon, including but not limited to, a swimming pool, cabana, mail kiosk and tot lot. Declarant makes no representation, warranty or covenant that any Recreational Common Area or improvements thereon will be constructed or incorporated into the subdivision.

ARTICLE 2 - PROPERTY RIGHTS; COMMON ELEMENTS

2.01. Owners' Easements and Enjoyment.

Every Owner shall have a right and easement of enjoyment in and to the Common Elements, including a non-exclusive easement for ingress, egress and regress over the Common Elements to the extent necessary to provide access to his or her Lot, and for utilities serving that Lot, which shall be appurtenant to and shall pass with the title to every Lot, subject to the easements set forth in Article 8 hereof and to the other provisions of this Declaration.

2.02. Delegation of Use.

Any Owner may delegate his or her rights of use and enjoyment of the Common Elements to the members of his or her family, lessees, contract purchasers who reside on such Lot, or guests.

2.03. Rules and Regulations.

The Declarant during the Declarant's Development Period, and thereafter the Association acting through its Board, shall have the power to formulate, publish and enforce rules and regulations concerning the use and enjoyment of the Common Elements, including rules and regulations concerning parking and vehicular traffic flow. Such rules and regulations shall be maintained in a place reasonably convenient to the Members and available to them for inspection during normal business hours. The Association may impose reasonable monetary fines for the violation of established rules and regulations and for the violation of any of the covenants and conditions contained in this Declaration, which monetary fines shall be assessed and collected pursuant to the provisions of Articles 4 and 11 hereof. Any such fines shall be subject to the terms of the Planned Community Act. Copies of such rules and regulations and the amendments thereto shall be furnished by the Association to all Owners prior to the effective date thereof. All such rules and regulations shall be binding upon the Owners, their families, tenants, guests, invitees and agents.

2.04. Suspensions.

The Association shall have the power to suspend the voting rights of an Owner for any Period during which any assessment against his or her Lot remains unpaid, and, for a Period not to exceed sixty (60) days, for any infraction of its published rules and regulations. Any suspension shall be subject to the terms of the Planned Community Act including notice and opportunity to be heard. The Association also may levy reasonable fines against an Owner for any infraction of its published rules and regulations, subject to the terms of the Planned Community Act, including notice and opportunity to be heard. No such suspension or fine shall constitute a waiver or discharge of the Owner's obligation to pay assessments or abide by all published rules and regulations.

2.05. Mortgaging Common Elements.

The Association, acting through its Board, shall have the power to borrow money for the purpose of improving the Common Elements and facilities thereon and pursuant thereto to mortgage, pledge, grant a deed of trust, or hypothecate ("mortgage") the Common Elements, or any portion thereof, as security for money borrowed, provided, however, that any such action shall be taken only if persons entitled to cast at least eighty percent (80%) of the votes in the Association agree in writing to such action, provided, however, no mortgage, encumbrance or hypothecation or foreclosure of the lien thereby created shall cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances, and shall not interfere or obstruct utility service to, or ingress, egress, and regress to or from the Lots or the Common Elements, and provided further that for so long as Declarant shall own any portion of the Property, Declarant must also consent to such action.

In addition, any such mortgage given by the Association shall be subject and subordinate to any rights, interests, easements and privileges herein reserved or established for the benefit of Declarant, or any Lot or Lot Owner, or the holder of any mortgage irrespective of when executed given by Declarant or any Lot Owner encumbering any Lot or any other part of the Property, and any provision in this Declaration and in any such mortgage given by the Association to the contrary notwithstanding, the exercise of any rights by the holder of the mortgage in the event of a default thereunder shall not terminate or cancel any rights, easements or privileges herein reserved or established for the benefit of Declarant, or any Lot Owner, or the holder of any mortgage irrespective of when executed given by Declarant or any Lot Owner encumbering any Lot or other Property in Valley Springs.

2.06. Common Elements Dedication or Transfer.

The Association, pursuant to Section 47F-3-112 of the Planned Community Act, acting through its Board, shall have the right to dedicate or transfer fee title to all or any part of the Common Elements to any public agency, authority, or utility (including any entity authorized by the City of Durham or the County to supply cable television service), or to transfer to any other party for such purposes and subject to such conditions as may be agreed upon by the Members. No such dedication or transfer shall be effective unless persons entitled to cast at least eighty percent (80%) of the votes in the Association agree in writing to such action, and by the Declarant if the Declarant then owns any Lot on the Property. No such dedication or transfer shall interfere with or obstruct utility service to, or ingress, egress and regress to or from the Lots or any remaining Common Elements, or deprive any Lot of its rights of support, or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

2.07. Encroachments.

The Association, acting through its Board, shall have the right to exchange portions of Common Elements with Declarant for substantially equal areas of Property for the purpose of eliminating unintentional encroachments of Dwellings or other improvements

onto portions of the Common Elements or for the purposes of enhancing the utility of the Common Elements to be retained by the Association.

2.08. Maintenance.

The Association shall maintain the Common Elements and facilities and improvements thereon, as hereinafter provided in Section 6.01. Any portion of the Common Elements for which insurance is required to be maintained by the Association under the Planned Community Act which is damaged or destroyed shall be repaired or replaced promptly by the Association except as otherwise provided in Section 47F-3-113 of the Planned Community Act.

2.09. Tenants.

(a) Any Owner who rents or leases his or her Lot to a tenant shall not be entitled to use and enjoy any recreational or other common facilities on the Common Area during the period the Lot is occupied by such tenant. The Common Area shall be available for use by a tenant during the tenant's leasehold.

(b) No Owner shall lease or rent less than an entire Lot and no more than one family related by blood or marriage, or one household unit of no more persons than the number of bedrooms in the residence located on the Lot, shall live in the residence located on any one Lot. Except as otherwise set forth in this Declaration, the Lots shall not be leased or rented for hotel or transient purposes and no rental agreement or lease shall be made for a period of less than twelve (12) months. Subject to the foregoing restrictions and to the limitations on rentals within the Community set forth in subsection (c) of this Section, Owners shall have the right to lease or rent their Lots, provided that any lease or rental agreement between an Owner and a tenant shall be in writing and shall provide that it is in all respects subject to the provisions of this Declaration, the Bylaws, and the Rules and Regulations and that any failure by the tenant to comply with such provisions shall be a default under the rental agreement or lease. However, the failure of any lease or rental agreement to so provide shall not excuse any person from complying with the provisions of this Declaration, the Bylaws, and the Rules and Regulations.

(c) In the event an Owner shall rent or lease his or her Lot such Owner shall immediately give to the Association in writing:

- (i) the name of the tenant and the Lot rented or leased;
- (ii) the current address of such Owner;
- (iii) a true and complete copy of the lease or rental agreement; and

(iv) the certification of the Owner that the tenant has been given a copy of this Declaration, any applicable amendments, the Bylaws and the Rules and Regulations and that such tenant has been advised of any obligations he may have thereunder as a tenant.

(d) In no event shall any lease or rental agreement release or relieve an Owner from the obligation to pay regular and special assessments to the Association, regardless of whether the obligation to pay assessments has been assumed by the tenant in such lease or rental agreement.

ARTICLE 3 – MEMBERSHIP AND VOTING RIGHTS

3.01. Members.

The Declarant, for so long as it shall be an Owner, and every person or entity who is an Owner of a fee simple or undivided fee simple interest in any Lot which is subject by covenants of record to assessments by the Association, including contract sellers, shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Ownership of such Lot shall be the sole qualification for membership, and no Owner shall have more than one membership except as expressly provided hereinafter. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. The Association may promulgate reasonable rules relating to the proof of ownership of a Lot.

3.02. Classes of Members and Voting Rights.

The Association shall have two classes of voting Members:

Class A. Class A Members shall be all Owners (including the Declarant). Class A Members shall be entitled to one (1) vote for each Lot in which they hold the required ownership interest. When more than one person or entity holds the required ownership interest in a Lot, all such persons or entities shall be Members. The vote for each such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot, and no fractional votes may be cast.

Class B. The Class B Members shall be the Declarant or its designated assign and Approved Builder. Each of the Class B Members shall be entitled to ten (10) votes for each vote held by Class A Members during the Declarant's Development Period. Thereafter, the Class B Member will exercise votes only as to its Class A Memberships.

Members are divided into Class A and Class B Members for the sole purpose of computing voting rights and shall not vote as a class. Owners of Lots in all phases shall have the same voting rights.

3.03. Right of Declarant to Select Members of the Board of the Association.

Notwithstanding anything contained herein to the contrary, Declarant (or the assignee of the right granted in this Section) during the Declarant's Development Period shall have the right to designate and select all of the persons who shall serve as members

of the Board of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on the Board of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation or Bylaws. Declarant shall have the right to remove any person or persons selected by it to act and serve on the Board and to replace such person or persons with another person or persons by it to act and serve in the place of any member of the Board so removed for the remainder of the unexpired term of office of any member of the Board removed. Any Member designated and selected by Declarant need not be an Owner. Any representative of Declarant serving on the Board of the Association shall not be required to disqualify himself or herself from any vote upon any contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest. Similarly, Declarant, as a member of the Association, shall not be required to disqualify itself upon any vote upon or entrance into any contract or matter between Declarant and the Association where Declarant may have a pecuniary or other interest. The method of electing, removing and replacing members of the Board not appointed by the Declarant shall be as provided in the Articles of Incorporation and/or Bylaws.

ARTICLE 4 – COVENANTS FOR ASSESSMENTS

4.01. Creation of the Lien and Personal Obligation for Assessments.

The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay:

- (a) to the Association:
 - (i) annual and other assessments and charges provided for herein, together with interest and late fees, costs and reasonable attorneys' fees,
 - (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided, and
- (b) to the appropriate governmental taxing authority:
 - (i) a pro rata share of ad valorem taxes levied against the Common Elements, and
 - (ii) a pro rata share of assessments for public improvements to or for the benefit of the Common Elements if the Association shall default in the payment of either or both for a period of six (6) months.

All assessments and charges provided for herein, together with interest, any late fees, costs and reasonable attorneys' fees, shall be a charge on the land and shall constitute a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Durham County,

North Carolina. Each such assessment and charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such property at the time when the assessment became due. The personal obligation for the delinquent assessments shall not pass to his or her successors in title unless expressly assumed by them.

4.02. Purpose of Assessments.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Property and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Elements, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, and the payment of taxes assessed against the Common Elements, the maintenance of water and sewer mains in and upon the Common Elements (if not maintained by the utility provider), the maintenance of open spaces and streets which have not been accepted for dedication by a public authority, roadway medians and islands, drives and parking areas within the Common Elements, the procurement and maintenance of liability insurance in accordance with this Declaration or Bylaws, the maintenance of entranceways, landscaping and lighting of Common Elements, road medians and islands and entranceways, the cost of leasing, owning, operating, maintaining and repairing any street lights erected by the Association or the Declarant in the streets (whether public or private), or other Common Elements, or in any other easement provided therefor within the Property, the payment of assessments for public and private improvements made to or for the benefit of the Common Elements, charges for garbage collection services furnished to the Lots, the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Elements, the employment of attorneys and other agents to represent the Association when necessary, the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, and any other major expense for which the Association is responsible, and for such other needs as may arise.

(b) The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements and those other portions of the Property which the Association may be obligated to maintain such reserve fund is to be established out of regular assessments for common expenses.

(c) All monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the Association to the payment of any expense of operation and managing the Property, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, and the Articles of Incorporation and the Bylaws. As monies for any assessment are paid to the Association by any Owner, the same may be commingled with monies paid to the Association by the other Owners. Although all funds and common surplus, including other assets of the Association, and any increments thereto or profits derived therefrom shall be

held for the benefit of the Members of the Association, no Member of the Association shall have the right to assign, hypothecate, pledge or in any manner transfer his membership interest therein, except as an appurtenance to his or her Lot. When any Owner shall cease to be a Member of the Association by reason of his or her divestment of ownership of his or her Lot, by whatever means, the Association shall not be required to account to such Owner for any share of the funds or assets of the Association, or which may have been paid to the Association by such Owner, as all monies which any Owner has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Property.

4.03. Adoption of Budget and Fixing of Annual Assessments; Annual Assessment and Annual Meeting.

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

(b) Until December 31 of the year of the conveyance of the first Lot to an Owner, the annual assessment for each Lot shall be **Five Hundred Seventy Five and No/100 Dollars (\$575.00) a year, or One Hundred Forty Three and 75/100 Dollars (\$143.75.00) per quarter**. The annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter shall be established by the Board and may be increased by the Board without approval by the membership by an amount not to exceed fifteen percent (15%) of the annual assessment of the previous year. The annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3) of the votes of the Members of the Association who are voting, in person or by proxy, at a meeting duly called for this purpose, provided, however, if Declarant then owns a Lot, Declarant must also consent to such action.

(c) The Board may fix the annual assessment at an amount not in excess of the amount permitted in this Section 4.03 (subject to the provisions of Section 4.06).

4.04. Special Assessments for Capital Improvements.

In addition to the annual assessments authorized hereinabove, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided, however, if Declarant then owns a Lot, Declarant must also consent to such action. All special assessments shall be fixed at a uniform rate for all Lots (subject to the provisions of Section 4.06) and may be collected on a monthly, quarterly or semi-annual basis, as determined by the Members approving such assessments.

4.05. Notice and Quorum for Any Action Authorized Under Sections 4.03 and 4.04.

Written notice of any meeting called for the purpose of taking any action authorized under Section 4.03 or 4.04 shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast ten percent (10%) of all the votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

4.06. Rate of Annual Assessment; Exclusions.

Both the annual and special assessments must be fixed at a uniform rate for all Lots, provided, however, no assessment shall be due (a) if there is not a Dwelling on a particular Lot or (b) if a Dwelling on any Lot owned by Approved Builder, Declarant, or assignee of Declarant's development rights is unoccupied as a residence. Notwithstanding the foregoing, assessments shall be due on any Lot that is owned by Approved Builder or Declarant for a period of at least two (2) consecutive years.

4.07. Date of Commencement of Annual Assessments; Due Dates.

The annual assessments provided for herein shall commence as to a particular Lot on the day of the conveyance by Declarant or Approved Builder of that Lot to an Owner (other than Declarant or Approved Builder). Notwithstanding the foregoing, in the event Approved Builder owns a Lot for at least two (2) consecutive years, then annual assessments shall commence with respect to such Lot on the two (2) year anniversary of Approved Builder's acquisition of the Lot. Likewise, if Declarant owns a Lot for two (2) consecutive years, then annual assessments shall commence with respect to such Lot on the two (2) year anniversary of such Lot being annexed into this Declaration. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The due dates shall be established by the Board. Annual assessments may be collected on a monthly, quarterly, semi-annual or annual basis, as determined by the

Board. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

4.08. Working Capital Assessment.

In addition to the annual assessments authorized above, at the time of the closing of the first sale of each Lot by Declarant or Approved Builder to a purchaser (other than an Approved Builder), the purchaser shall pay to the Association an amount equal to the greater of Two Hundred Fifty and No/100 Dollars (\$250.00). Such funds shall be used by the Association to establish a Working Capital Fund, the purpose of which is to insure that the Association will have sufficient monies available to meet its initial operational needs. No such payments made into the Working Capital Fund shall be considered an advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and the Bylaws.

4.09. Effect of Nonpayment of Assessments; Remedies of the Association.

Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate from time to time established by the Association, not to exceed eighteen percent (18%) per annum. In addition, the Association may charge a reasonable late fee, the amount of which shall be established from time to time by the Board of the Association, in compliance with Section 47F-3-102(11) of the Planned Community Act, for assessments not paid within thirty days after the due date. After notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association (except rights of access to Lots) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in compliance with Section 47F-3-116 of the Planned Community Act, and interest, costs and reasonable attorneys' fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of any of the Common Elements or abandonment of his or her Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

4.10. Effect of Default in Payment of Ad Valorem Taxes or Assessments for Public Improvements by Association.

Upon default by the Association in the payment to the governmental authority entitled thereto of any assessments for public improvements or ad valorem taxes levied against the Common Elements, which default shall continue for a period of six (6) months, each Owner of a Lot in the Property shall become personally obligated to pay to the taxing

