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DECLARATION OF
COVENANTS, CONDITIONS, EASEMENTS AND RESTRICTIONS
FOR
HOPE VALLEY FARMS NORTH DEVELOPMENT

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Prepared by and return to: Charles B. Morris, Jr., Manning, Fulton & Skinner, P.A.
P. O. Box 20389, Raleigh, NC 276719-0389

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Charles B. Morris, Jr.
Manning, Fulton & Skinner, P. A.
P. O. Box 20389
Raleigh, North Carolina 27619-0389

DECLARATION
OF COVENANTS, CONDITIONS, EASEMENTS AND RESTRICTIONS
FOR
HOPE VALLEY FARMS NORTH

THIS DECLARATION, made on the date hereinafter set forth by AMERICAN GENERAL REALTY INVESTMENT CORPORATION, a Texas corporation, with its principal office located at 4501 Hope Valley Road, Durham County, Durham, North Carolina 27707, hereinafter referred to as "Declarant";

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in or near the City of Durham, County of Durham, State of North Carolina, which is more particularly described on Exhibit "A" attached hereto;

WHEREAS, it is the desire and intention of Declarant (as defined herein) to impose on that Property described in Exhibit "A" attached hereto restrictions, conditions, easements, covenants and agreements under a general plan or scheme of improvement for the benefit of all Property herein described and the future owners thereof; and,

WHEREAS, the Property and any additional property added hereto, shall be comprised of single family residential lots, and may be comprised, in part, of multi-family tracts for condominium use and multi-family tracts for townhome subdivision; and

WHEREAS, notwithstanding the necessity of the Declarant or other developer to create an owners association for any condominium or townhome project constructed within the Property, this Declaration and the covenants, conditions, restrictions and easements, to the extent applicable, shall apply to the owners of all condominium units and townhomes as well as to individual subdivided detached single family residential lots;

NOW, THEREFORE, Declarant hereby declares that all of the Property described on Exhibit "A" shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which shall run with the title to, the Property, and shall be binding on all parties having any right, title or interest in the described Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Articles" shall mean the Articles of Incorporation of the Association as filed with the Secretary of State, State of North Carolina, as the same may be from time to time amended.

Section 2. "Association" shall mean and refer to Hope Valley Farms North Owners Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 3. "Board" or "Board of Directors" shall mean those persons elected or appointed and acting collectively as the Board of Directors of the Association.

Section 4. "Bylaws" shall mean the document for governance of the Association as adopted initially by the Board and as amended by the Members.

Section 5. "Common Properties" shall mean all real property and any improvements constructed thereon, if any, owned by the Association for the common use and enjoyment of the Owners or Members or designated classes of Members of the Association.

Section 6. "Common Expenses" shall mean and include:

(a) Expenses for maintenance of the roads, streets, rights of way and any amenities as provided in this Declaration;

(b) Expenses of administration, maintenance, repair, or replacement of the Common Properties;

(c) Expenses declared to be common expenses by the provisions of this Declaration or the Bylaws;

(d) Hazard, liability, or such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase; or as the Association may deem appropriate to purchase;

(e) Ad valorem taxes and public assessment charges lawfully levied against Common Properties;

(f) The expense of the maintenance of private drainage and utility easements and facilities located therein which are within the boundaries of the Property, cross Common Properties of the Property and serve both the Property and lands adjacent thereto;

(g) The expense of maintenance of any roads, streets, easements, amenities, taxes or any other expense item associated with any Common Element not located on the Property but permitted to be used by the Members

of this Association by any adjoining landowner, association or other entity pursuant to any cross-easement, cross-access or other agreement by the Association with the adjoining land owner;

(h) Expenses for maintenance of security devices or personnel; and,

(i) Expenses for the maintenance of pedestrian easements as shown on the recorded map of the Property, and as may be required by this Declaration;

(j) Expenses of assessments of any other owners association, council or group which by virtue of this Declaration or any agreement between the Association and any other owners association, council or group may be imposed on the Association or the Members of the Association for maintenance of any of the Common Properties within the Property by the other association or for security or maintenance of roads, streets and Common Properties outside the bounds of the Property, including security installations and security personnel so long as the same benefits the Members of this Association; and,

(k) Any other expenses determined by the Board or approved by the Members to be common expenses of the Association.

Section 7. "Declarant" shall mean and refer to American General Realty Investment Corporation, a Texas corporation, its successors and assigns, to whom the rights of Declarant hereunder are expressly transferred, in whole or in part, and subject to such terms and conditions as Declarant may impose.

Section 8. "Limited Common Properties" shall mean those portions of the Common Properties that serve only a single Lot or a limited number of Lots, and which may include, but specifically is not limited to, driveways, walkways, parking areas or areas serving only specified Lots, and such other similar areas as may be designated by a subdivision map of the Property or by the Association.

Section 9. "Living Unit" shall mean any residential occupied dwelling other than a single family residential dwelling on a Lot. An example of a Living Unit shall be an apartment unit.

Section 10. "Lot" shall mean and refer to: (i) any plot or Tract of land shown upon any recorded subdivision map of the Property, as such map or maps may be from time to time amended or modified, for detached single-family residential use; (ii) any condominium unit (herein, specifically referred to as "Unit"); and (iii) any townhome lot (herein, specifically referred to as "Townhome Lot"); all designated for residential use and for separate ownership and occupancy.

Section 11. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 12. "Notice" required to be given herein shall be in writing and mailed by U.S. mail, postage prepaid, first class to the address of any Member on the records of the Association or shall be hand delivered to the Member.

Section 13. "Owner" or "Lot 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.

Section 14. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

Section 15. "Property" shall mean and refer to that certain real property hereinbefore described on Exhibit "A" hereto attached, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE II

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Properties together with and including the right of access, ingress and egress, both pedestrian and vehicular, on and over the drives, walkways and parking areas of the Common Properties, all of which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

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

(b) the right of the Association to suspend the voting rights and the right to use the recreational or other Common Element facilities, if any, by an Owner for any period during which any assessment against his Lot remains unpaid, and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicate, sell, lease or transfer all or any part of the Common Properties, or any interest therein, to any public agency, authority, or utility, or to any other person for such purposes and subject to such conditions as may be agreed upon by the Members. No such dedication, sale or transfer shall be effective unless it has been approved by two-thirds (2/3) of each class of Members and an instrument of dedication, sale, lease, or transfer properly executed by the Association has been recorded. On such instrument the Secretary of the Association shall certify that two-thirds (2/3) of each class of Members have approved the dedication, sale, lease or transfer and that certificate may be relied upon by any third party without inquiry and shall be conclusive as to any grantee, its successors or assigns; provided, however, conveyances for general utility purposes, as specified

herein, may be made by the Association without consent of the Members. Such two-thirds (2/3) approval may be by a vote at a meeting of Members or by a signed approval;

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

(e) the right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Properties and facilities and in aid thereof to mortgage the Common Properties, and the rights of such mortgagee in the Common Properties shall be subordinate to the rights of the Members hereunder;

(f) the right of the Association in accordance with its Articles or Bylaws to impose rules and regulations for the use and enjoyment of the Common Properties, the Lots and improvements thereon, which rules and regulations may further restrict the use of the Common Properties and to create Limited Common Properties.

(g) the right of Owners of Lots on additional lands annexed to the Property initially, or subsequently, to the easements of enjoyment and rights of ingress, egress and access, as specified above, to the initial Property and all lands included in subsequent phases.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Properties and facilities to the members of his family, his tenants, or contract purchasers who reside on the Property but may not delegate or assign responsibility for the actions of those to whom such right is delegated.

Section 3. Title to the Common Properties. The Declarant hereby covenants for itself, its heirs and assigns, that it will convey fee simple title to the Common Properties located within the Property to the Association, free and clear of all encumbrances and liens, other than utility easements or rights of way that may affect the Property, prior to the conveyance of the first Lot, except for encumbrances of utility, service, access, storm drainage and other similar service or utility easements. Similarly, the Declarant will convey to the Association Common Properties which are a portion of any additional property as the same is annexed in the future at the time of conveyance of the first Lot located on that additional property.

Section 4. TV Antennas, Cablevision, Music. The Association may provide one or more central television or radio antennas for the convenience of the Members and may supply cablevision, and the cost of these may be included in annual or special assessments. The Association may regulate or prohibit the erection of television, radio or other antennas on individual Lots.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every record Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to, and may not be separated from, ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members; however, the vote for such Lot shall be exercised as they among themselves determine, or as set forth in the Bylaws, but in no event shall more than one vote be cast with respect to any Lot. Fractional voting is prohibited.

Class B. The Class B Members shall be the Declarant and shall be entitled to three (3) votes for each Lot owned (as further defined in Section 4 of this Article III) including Lots later added pursuant to annexation of additional Property as set forth in the Declaration. The Class B membership shall cease and be converted to Class A membership with one vote for each Lot owned on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in Class A Membership equal the total votes outstanding in Class B membership; but provided, that the Class B membership shall be reinstated if thereafter, and before the time stated in Sub-paragraph (b) below, such additional lands are annexed to the Property with or without the assent of Class A Members on account of the development of such additional lands by the Declarant, all as provided for in Article VI below, or

(b) on December 31 following seven (7) years from the date of conveyance of the first Lot by Declarant.

Section 3. The right of any Member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and the Articles and Bylaws of the Association and according to the provisions of Article II, Section 1(b) herein.

Section 4. It is recognized that with tracts set aside for multi-family development, and for which subdivision for condominium units or townhome lots has not been accomplished or the units or townhome lots designated, it would be inappropriate for Declarant, or its successor in interest to such tracts, to be limited to one vote per lot (or tract) as in the case of a single-family residential lot; therefore, notwithstanding the provision of Section 2 above, Declarant, or its successor in interest to any such multi-family tract, shall be entitled to three (3) votes for each unit or lot, as the case may be, which is permitted to be constructed or subdivided thereon by the appropriate governmental authority having zoning or similar jurisdiction over the

Property. Such voting rights shall continue as to each condominium unit or each townhome lot until the same shall be constructed or subdivided, as the case may be, at which time Declarant shall have three (3) votes for each unit or townhome lot constructed or subdivided, if owned by Declarant; and if not owned by Declarant then the Owner shall have voting rights as a Class A Member.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of 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 to the Association: (1) annual assessments or charges which are Common Expenses, and (2) special assessments for extraordinary maintenance and capital improvements, (3) special assessments for purchase, construction or reconstruction of improvements; and (4) to the appropriate governmental taxing authority, a pro rata share of assessments for public improvement to the Common Properties and public roads if the Association shall default in payment thereof. The annual and special assessments, together with interest and costs, and reasonable attorneys' fees for collection, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

The Association shall also have the authority, through the Board of Directors to establish, fix and levy a special assessment on any Lot to secure the liability of the Owner thereof to the Association arising from breach by such Owner of any of the provisions of this Declaration which breach shall require the expenditure of time and money or both, by the Association for repair or remedy.

Each Owner covenants for himself, his heirs, successors and assigns, to pay each assessment levied by the Association on the Lot described in such conveyance to him within ten (10) days of the due date as established by the Board, and further covenants that if said assessment shall not be paid within thirty (30) days of the due date, the payment of such assessment shall be in default and the amount thereof become a lien upon said Owner's Lot as provided herein and shall continue to be such lien until fully paid.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the paying of Common Expenses to promote the recreation, health, safety, and welfare of the Owners of Lots; and, in particular, but not limited to, for the acquisition, improvement and maintenance of Property, services, amenities and facilities, and for the use and enjoyment of the Common Properties, including but not limited to, the cost of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the

payment of taxes and public assessments assessed against the Common Properties, the providing for security to the Property, the procurement and maintenance of insurance in accordance with the Bylaws or as deemed appropriate by the Board, the payment of common antenna or cable service, the employment of counsel, accountants and other professionals for the Association when necessary, and such other needs as may arise.

Section 3. Amount of Assessment.

(a) Initial Maximum Assessment. To and including December 31, 1994, the maximum annual assessment shall not exceed Two Hundred Sixteen Dollars (\$216.00) per Lot.

(b) Increase by Association. From and after 1 January 1995, the annual assessment effective for any year (including 1995) may be increased from and after January 1 of the succeeding year by the Board of Directors, without a vote of the membership, by a percentage which may not exceed the greater of six (6%) percent or the percentage increase reflected in the Consumer Price Index For All Urban Consumers (CPI-U) - South Urban Area Average (1982 - 84 = 100) (published by the U.S. Bureau of Labor Statistics, United States Department of Labor, Washington, D.C.), or such other Index as may succeed that Index, for that twelve-month period ending the immediately preceding October 1.

(c) Increase by Members. From and after 1 January 1995, the annual assessment may be increased by a percentage greater than permitted by this Article by an affirmative vote of two-thirds (2/3) of each class of Members who are voting in person or by proxy, at a meeting duly called for such purpose. The limitations herein set forth shall not apply to any increase in assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles.

(d) Criteria for Establishing Annual Assessment. In establishing the annual assessment for any assessment year, the Board of Directors shall consider all current costs and expenses of the Association, any accrued debts, and reserves for future needs, but it may not fix the annual assessment in an amount in excess of twenty (20%) percent greater than the existing assessment or the sums derived by application of the Consumer Price Index formula provided in Subsection (b) whichever is greater without the consent of Members required by Subsection (c) of this Section 3.

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

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, restoration, repair or replacement of a capital improvement upon the Common Properties, any extraordinary maintenance, including fixtures and personal property related thereto and any property

for which the Association is responsible, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Replacement Reserve. Out of the Common Expenses assessment, the Board may create and maintain a reserve fund for the periodic maintenance, repair, and replacement of improvements to the Common Properties which the Association may be obligated to maintain.

Section 6. Notice and Quorum for Any Action Authorized Under Section 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under this Article shall be sent to all Members not less than 15 days nor more than 30 days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast forty percent (40%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to a minimum seven (7) day and maximum twenty-one (21) day notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. If at a second meeting the requirement of one-half of the required quorum is not met, then in a subsequent meeting the requirement shall be one-fourth (1/4) of the required quorum and successive meetings may be held until a quorum is maintained by successively halving the quorum requirements of the prior meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis or other periodic basis established by the Board; provided, however, that the assessment against any Lot that does not contain a finished dwelling shall only be twenty-five percent (25%) of a Lot that does contain a dwelling. A Lot shall cease to enjoy the benefit of the reduced assessment at such time as it is sold by a builder of the dwelling to the consumer-occupant and that sale is closed.

Section 8. Date of Commencement of Annual Assessments: Due Dates: Initial Working Capital. The annual assessments provided for herein shall commence as to each Lot upon the first day of the first month following recording of a plat showing the Lot. All Lots in subsequently annexed properties, similarly, shall be subject to assessment similarly. The first annual assessment shall be adjusted according to the number of days remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge if it deems appropriate, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of issuance.

In addition to the regular assessments to be charged and paid hereunder, a purchasing Lot Owner at the closing of the first purchase of a finished dwelling or

Living Unit on the Lot to the first occupant thereof, shall pay to the Association a sum equal to two (2) months regular assessment on that Lot as additional working capital of the Association. These amounts need not be segregated, but may be commingled with regular assessment funds. The working capital amount shall be paid by the Lot Owner notwithstanding the fact that Declarant or any other person may have made prior regular assessment payments to the Association on the Lot being sold pursuant to the provisions of the first sentence hereunder.

Section 9. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall be delinquent, in default, and shall bear interest from the due date at the rate of twelve (12%) percent per annum or the maximum rate permitted by law, whichever is the lesser rate. The Association may bring an action at law against the Owner personally obligated to pay the same plus interest, costs, late payment charges and reasonable attorneys' fees, or foreclose the lien against the Lot. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Properties or abandonment of his Lot.

The lien herein granted unto the Association shall be enforceable pursuant to Article 2A of Chapter 45 of the General Statutes from and after the time of recording a Claim of Lien in the Office of the Clerk of Superior Court in the County in which the Property is located in the manner provided therefore by Article 8 of Chapter 44 of the North Carolina General Statutes, which claim shall state the description of the Lot encumbered thereby, the name of the record owner, the amount due and date when due. The claim of lien shall be recordable any time after thirty (30) days after the due date of the assessment or any installment thereof and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include all assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record.

Section 10. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein shall be subordinate to the lien of any institutional first mortgage and ad valorem taxes on said Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage or tax foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer, but shall not abate the personal obligation of the prior owner. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. Provided, should the priorities set forth above be modified at law, such variation as established by law shall prevail.

Section 11. Exempt Property. Any portion of the Property dedicated to, and accepted by, a local public authority and any portion of the Property owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 12. Responsibility for Maintenance of Private Streets and Driveways.

The maintenance responsibility of the private streets and driveways as shown on any subdivision map recorded shall rest with the Association unless such private streets and drives are subject to a separate condominium or townhome association, in which event the separate associations shall have responsibility. In no case shall any governmental authority having jurisdiction over the Property be responsible for failing to provide any emergency or regular fire, police, or other public service to the Property and/or occupants when the failure is due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Declarant, the Association, or Owners.

Section 13. Assessment For Multi-Family Tracts.

For any multi-family tract within the Property which has not been developed, constructed or subdivided for condominium use or townhome subdivision, the assessment applicable to such tract shall be the assessment per Lot as determined herein times the number of dwelling units that may be constructed on the tract as determined by that governmental authority having zoning or similar jurisdiction over the Property. At such time as any condominium is established or any townhome tract is subdivided with the actual number of lots to be constructed thereon, then each unit or each lot, as the case may be, shall be subject to assessment as a Lot.

Prior to the time that each Unit or each Townhome Lot is subject to assessment as a Lot, the assessment lien established hereunder shall attach to the whole tract.

Section 14. Pass Through Assessments From Other Associations; Clarification.

It is recognized and acknowledged that the Property is, or shall be, comprised of one or more separate subdivisions lying within the general bounds of a larger development generally referred to as "Hope Valley Farms". Hope Valley Farms, the larger development, is comprised of many separate area projects and subdivisions for single-family residential units, and in the future may contain townhouse units and condominium units, all of those types of projects and subdivisions being integral to the master plan for development of Hope Valley Farms. It is further recognized and acknowledged that the Hope Valley Farms development, being comprised of several separate area projects and subdivisions, has an integrated system of roads, streets, utilities, drainage facilities and Common Properties and that access to and from each separate project or subdivision is dependent upon the use of roads and streets lying within, or through, the bounds of other projects or subdivisions and that the utilities, drainage facilities and Common Properties are interdependent.

It is also recognized and acknowledged that Hope Valley Farms development, because of its size and the possible mix of residential units, is now, or may be, comprised of several owners associations which have responsibility for the maintenance of all or a portion of the Common Properties within the geographical area of the properties subject to any declaration of any other association.

Therefore, it is contemplated by Declarant and any Lot Owner that for efficiency, the best use of financial resources, for the continuance of a common scheme of appearance, and for a uniform quality of maintenance, the Association will contract the maintenance of all or a portion of its Common Properties with another

owners association within the Hope Valley Farms development or with a council or group organized by the several owners associations now existing, or which may hereafter be organized, within the Hope Valley Farms development, or to a similar entity or agency having a larger maintenance responsibility for the general Hope Valley Farms development; and the Association reserves the right to contract with such other association, council, group or similar entities all of its maintenance duties with respect to the Common Properties, as it in its discretion may determine.

It is further recognized and acknowledged that no Lot Owner shall be a Member of any association, council or group with whom the maintenance duties are contracted, and, thus, shall have no voice in its affairs, unless at some later date the various related associations in Hope Valley Farms development shall merge or consolidate under a common organization.

To the extent of the foregoing, the association with which this Association contracts for its maintenance shall impose a fee on this Association, which fee shall be prorated among all Lot Owners and the prorated amount charged to each Lot Owner as an assessment collectible and enforceable as an assessment under this Article IV and such sum shall be included in the amount of assessment directly levied by this Association for its own expenses or reserves.

ARTICLE V

ARCHITECTURAL CONTROL

No site preparation (including, but not limited to grading, elevation work, landscaping, sloping or tree work) or initial construction, erection or installation of any improvements, including but not limited to, buildings, fences, signs, walls, bulkheads, screens, landscaping, plantings, equipment, or other structures shall be commenced, erected, placed, altered or maintained upon any lot, until the plans and specifications showing the nature, kind, shape, height, materials, exterior colors, siding, location and elevations of the proposed improvements, landscaping or plantings shall have been submitted to, and approved in writing by, as to harmony of external design and location in relation to surrounding structures and topography, an Architectural Committee composed of three (3) persons appointed by the Declarant so long as there is a Class B membership, or, if no Class B membership, then appointed by the Board. In the event the Architectural Committee fails to approve such submission made by any Lot Owner within thirty (30) days after said plans and specifications have been received by the Committee, approval will be deemed to have been denied. Any plans and specifications that contain inaccurate or missing data or information when submitted shall not be deemed to be approved notwithstanding any prior approval by the Committee.

Upon request, the Association, on behalf of the Architectural Committee, shall provide any Owner with a letter stating that any such work, plans and specifications, landscaping or plantings have been approved, and the letter may be relied upon by third parties.

Approval or disapproval by the Architectural Committee of such plans, location or specifications may be based upon any grounds, including purely aesthetic and environmental, which in the sole discretion of the Committee, it shall deem sufficient. Neither the Association, Board, nor the Architectural Committee shall be responsible for any defects in the plans and specifications submitted to it or in any structure erected or improvements made on any Lot.

The Board and the Architectural Committee, or their appointed agents, shall have the right, at their election, but shall not be so required, to enter upon any of the Lots during site preparation or construction, erection, or installation of improvements to inspect the work being undertaken and to determine that such work is being performed in conformity with the approved plans and specifications.

The Architectural Committee shall have the power to grant, and may allow, variances of, and adjustments of, the restrictions established herein in order to overcome practical difficulties and prevent unnecessary hardships in application of the restrictions contained herein; provided, however, that variances or adjustments are done in conformity with the intent and purposes hereof; and, provided also, that in every instance such variance or adjustment will not be materially detrimental or injurious to other Lots in the immediate neighborhood. Variances and adjustments may be of the height, size, and setback requirements, but shall not be limited thereto. No variance shall be permitted if it violates governmental minimum standards.

In the event of the grant of any variance in the restrictions established herein, the Association on behalf of the Architectural Committee shall execute a document acceptable in substance to the Association attesting to such grant and the specific nature thereof in form suitable for recording, so that the Lot Owner may record the document in the Registry of the County in which the Lot is located. Such document shall be prepared at the cost of the Lot Owner and shall be binding upon the Association, its successors and assigns, and other Lot Owners and may be relied upon by third parties to evidence the variance approval.

Construction of any dwelling shall be completed within twelve (12) months from the Owner's receipt of approval by the Architectural Committee. Construction of any addition to a dwelling, exterior improvement to an existing dwelling, any grading, landscaping, planting or any outbuilding, swimming pool or improvement ancillary to the dwelling shall be completed within six (6) months after the Owner's receipt of approval by the Architectural Committee.

The Architectural Committee shall have the authority to extend the foregoing times, upon application of the Lot Owner and for good cause shown for a period not to exceed six (6) months.

Any approvals given by the Architectural Committee shall expire if construction of the dwelling is not beyond that of the foundation within six (6) months of the date of approval.

If the Association shall discontinue the Architectural Committee (1) no further approvals need be obtained by any Lot Owner pursuant to this Article, and any Lot

Owner thereafter shall improve its Lot as the Lot Owner deems appropriate, without such prior approval but not inconsistent with the other Articles of the Declaration, and (2) any improvement located on any Lot shall be deemed approved by the Architectural Committee and any variance of any improvement from any building restrictions prescribed by any applicable covenants shall be deemed approved by the Architectural Committee whether or not a document of variance approval has been recorded unless there shall be pending in the County where the Lot is situated an action against any Lot Owner for enforcement of the provisions of this Declaration or any applicable protective covenants for failure to comply with the provisions of this Article or for having constructed an improvement which violates the building restrictions and a variance shall not have been given, and as to the Lot affected by the action, the result of the action shall be determinative thereof.

Any purchaser of a lot or institution financing a lot shall rely on the foregoing statement.

The Association, so long as there is a Class B membership, shall defer architectural approvals to Declarant unless Declarant has voluntarily relinquished control of the Association. The more specific requirements of any protective covenant applicable to any subdivision on the Property shall prevail.

ARTICLE VI

ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation of additional property, except as provided in Section 2 of this Article VI, shall require the assent of two-thirds (2/3) of the Class A membership and two-thirds (2/3) of the Class B membership, if any, present in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than 15 days nor more than 30 days in advance of the meeting setting forth the purposes of the meeting. The presence of Members or of proxies entitled to cast forty percent (40%) of the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called subject to a notice requirement of a minimum of seven (7) days and a maximum of twenty-one (21) days and the required quorum shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting. In the event that two-thirds (2/3) of the Class A membership or two-thirds (2/3) of the Class B membership are not present in person or by proxy, Members not present may give their written assent to the action taken thereat. Subsequent meetings may be held reducing the quorum requirement by one-half at each meeting until a quorum is attained.

Section 2. If within seven (7) years of the date of conveyance by Declarant of the first Lot, the Declarant should develop additional land within the boundaries of that property described on Exhibit "B" attached hereto, or such other lands as Declarant may hereafter acquire contiguous thereto, such land may be annexed by the Declarant without the consent of Members; and, in doing so, Declarant may file and record such amendments to this Declaration as are necessary without the consent of the

Members in order to subject such additional lands to the terms of this Declaration and the jurisdiction of the Association.

Section 3. Annexation of additional lands shall be accomplished by recording in the Office of the Register of Deeds in the county in which the Property is located, a Declaration of Annexation, duly executed by the Declarant, if the Declarant has the right to annex pursuant to Section 2 above, (and by the Association if pursuant to Section 1 above), describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions of this Declaration. The additional lands shall be deemed annexed to the Property on the date of recordation of the Declaration of Annexation, and in the case of an annexation by the Declarant, no action or consent on the part of the Association or any other person or entity shall be necessary to accomplish the annexation except any local governmental authority if required by its ordinances.

Section 4. Subsequent to recordation of the Declaration of Annexation by the Declarant, and prior to the conveyance of the first Lot therein, the Declarant shall deliver to the Association one or more deeds conveying any Common Properties within the lands annexed as such Common Properties is developed.

ARTICLE VII

USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Properties. Such rules and regulations may provide for imposition of fines or penalties for the violation thereof, or for the violation of any of the covenants and conditions contained in this Declaration.

Section 2. Use of Property. No portion of the Property (except for a temporary office of the Declarant and building models used by residential builders) shall be used except for single-family residential purposes and for purposes incidental or accessory thereto and an Association office.

Section 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Property, nor shall anything be done which may be, or may become, a nuisance or annoyance to the neighborhood.

Section 4. Animals. No animals, birds, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats, pet birds or other common household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and are controlled in accordance with applicable governmental ordinances and are not a nuisance to other Owners. No pigs shall be permitted under any circumstances.

Section 5. Insurance. Nothing shall be kept, and no activity shall be conducted, on the Property which will increase the rate of insurance applicable to

residential use for the Property or any Lots. No Owner shall do or keep anything, nor cause or allow anything to be done or kept, on his Lot or on the Common Properties which will result in the cancellation of insurance on any portion of the Property, or Lots therein, or which will be in violation of any law, ordinance, or regulation. No waste shall be committed on any portion of the Common Properties.

Section 6. Offensive Behavior. No immoral, improper, offensive, or unlawful use shall be made of the Property or Common Properties, or any part thereof. All laws, orders, rules, regulations, ordinances, or requirements of any governmental agency having jurisdiction thereof, relating to any Lot or any portion of the Property, shall be complied with, by and at the sole expense of the Owner or the Association, whichever shall have the obligation to maintain such portion of the Property.

Section 7. Business. No industry, business, trade, occupation, or profession of any kind, whether commercial or otherwise, shall be conducted, maintained, or permitted on any Lot, except that the Declarant or its agents may use any unsold Lots for sales or display purposes, and Declarant may maintain sales or rental offices on the Property.

Section 8. Alterations. No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the Common Properties except at the direction or with the express written consent of the Association.

Section 9. Common Properties Use. The Common Properties shall be used only for the purposes for which they are intended and reasonably suited and which are incident to the use and occupancy of the Property, subject to any rules or regulations that may be adopted by the Association pursuant to its Bylaws.

Section 10. Independent Covenants. Each and every covenant and restriction contained herein shall be considered to be an independent and separate covenant and agreement, and in the event any one or more of said covenants or restrictions shall, for any reason, be held to be invalid, or unenforceable, all remaining covenants and restrictions shall nevertheless remain in full force and effect.

Section 11. Additional Restrictions. Declarant may include in any contract or deed hereafter made any additional covenants and restrictions that are not inconsistent with and which do not diminish the covenants and restrictions set forth herein.

Section 12. Multi-Family Tracts. All of the foregoing use restrictions shall apply to multi-family tracts on which condominiums and townhomes shall be built.

ARTICLE VIII

EASEMENTS

Section 1. Utility Easements. All of the Property, including Lots and Common Properties, shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage, gas lines, telephone and

electric power line and other public utilities as shall be established by the Declarant or by his predecessors in title, prior to the subjecting of the Property to this Declaration; and the Association shall have the power and authority to grant and establish upon, over, under and across the Common Properties conveyed to it, such further easements as are requisite for the convenient use and enjoyment of the Property without approval of the membership as provided in the Articles and this Declaration.

Section 2. Easement for the Benefit of Governmental Authorities. An easement is hereby established for the benefit of any governmental authority having jurisdiction over the Property, or other governmental agency, over all Common Properties for the setting, removing and reading of water meters (which shall be separate for each Lot), maintaining and replacing water, sewage and drainage facilities, for police protection, fire fighting and garbage collection and the rendering of such other services as are appropriate and necessary for the use and enjoyment of the Property. In no case shall the governmental authority or other responsible agency, be responsible for failing to provide any emergency or regular fire, police, or other public service to the Property or to any of its occupants when such failure is due to the lack of access to such area due to inadequate design or construction, blocking of access routes, or any other factor within the control of the Declarant, the Association, the Owners or occupants. All conveyances of any portion of the Property shall be subject to these limitations on the governmental authorities responsibilities.

Section 3. Priority of Easements. Each of the easements hereinabove referred to shall be deemed to be established upon the recordation of this Declaration and shall henceforth be deemed to be covenants running with the land for the use and benefit of the Lots, and the Common Properties, as the case may be, superior to all other encumbrances which may hereafter be applied against or in favor of the Property or any portion thereof.

Section 4. Emergencies. Every Lot shall be subject to an easement for entry by the Association for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any Lot that endangers any building, life or any portion of the Common Properties.

ARTICLE IX

INSURANCE

Section 1. Insurance to be Maintained by the Association. The following insurance coverage shall be maintained in full force and effect by the Association:

(a) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Association.

(b) All liability insurance shall contain cross-liability endorsements to cover liability of the Owners as a group to an individual Owner.

(c) Such other insurance coverage as it may determine to be desirable and necessary, including fire and hazard insurance covering all improvements located on the Common Properties.

(d) Fidelity bonds for those officers or employees having control over Association funds.

(e) Other insurance which is by law required, such as workmen's compensation.

Section 2. Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association and charged ratably to Owners as an assessment according to the applicable provisions of this Declaration.

Section 3. Insurance Beneficiaries. All such insurance policies shall be purchased by the Association for the benefit of the Association and the Owners.

ARTICLE X

RIGHTS OF INSTITUTIONAL LENDERS

Section 1. Rights Reserved to Institutional Lenders. "Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, savings banks, insurance companies, Veterans Administration, Federal Housing Authority, Federal National Mortgage Association and other mortgage lenders and guarantors and insurers of such first mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any Lot, or shall be the Owner of any Lot, such Institutional Lender or Institutional Lenders shall have the following rights:

A. To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, such Financial Statement and Report to be furnished by April 15 of each calendar year.

B. To be given notice by the Association of the call of any meeting of the membership to be held for the purpose of considering any proposed Amendment to the Declaration, or the Articles and Bylaws of the Association, which notice shall state the nature of the amendment being proposed, and to be given permission to designate a representative to attend all such meetings.

C. To be given notice of default in the payment of assessments by any Owner of a Lot encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing to the Association.

D. To inspect the books and records of the Association and the Declaration, Bylaws and any Rules and Regulations during normal business hours, and to obtain copies thereof.

E. To be given notice by the Association of any substantial damage to any part of the Common Properties.

F. To be given notice by the Association if any portion of the Common Properties, is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority.

Whenever any Institutional Lender, guarantor or insurer desires the benefits of the provisions of this section requiring notice to be given or to be furnished a financial statement, such Lender shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, or to the address of the Property, identifying the Lot upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any Lot owned by them, or any of them, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender.

ARTICLE XI

GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. No Rights in Other Lands. Nothing herein, nor any deed of conveyance of a Lot or Tract of land in Hope Valley Farms North Development, shall give any Lot Owner any rights in and to any property within said Development as planned, projected or schematically presented, including, but not limited to, roads, streets, access ways, Common Properties and reserved lands, except those Lots and roads abutting any Lots made subject to this Declaration as amended and any Common Properties conveyed to the Association; and specifically, until such time as any property described on Exhibit "B" is made subject to this Declaration, no Lot Owner shall have any rights in any properties described, or depicted, on that Exhibit.

Section 4. General Amendments. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the

date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended by the Members by an instrument signed by not less than sixty-six and two-thirds percent (66 2/3%) of the Lot Owners.

Section 5. Amendments Permitted Without Membership Approval. The following amendments may be effected by the Declarant, or the Board, as the case may be, without consent of the Members:

(A) Prior to the sale of the first Lot, this Declaration may be amended by the Declarant.

(B) Declarant may amend this Declaration to annex additional lands as specified in Article VI, Section 2 herein.

(C) The Board may amend this Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction.

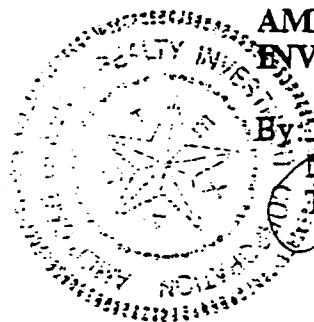
Section 6. Governmental Authority Amendments. No amendment which would change or delete any provision herein required by any governmental authority shall become effective until submitted to and approved by that authority; provided, however, if that authority fails to approve or disapprove such amendment within thirty (30) days after the same has been submitted to it, such approval shall not be required and this covenant shall be deemed to have been fully complied with.

Section 7. FHA/VA Approval. As long as there is a Class B membership, and if Declarant determines to qualify this Property for Federal Housing Administration or the U. S. Department of Veterans Affairs approval, the following actions will require the prior written approval of the Federal Housing Administration or the U. S. Department of Veterans Affairs: Annexation of additional property, dedication of Common Properties, and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 8. Recordation. No amendment shall be effective until recorded in the County in which the Property is situate.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this Sun day of March, 1974.

[Corporate Seal]



AMERICAN GENERAL REALTY
INVESTMENT CORPORATION

By: Laurence Kupstas
Name: Laurence Kupstas
Title: Vice President

Attest:

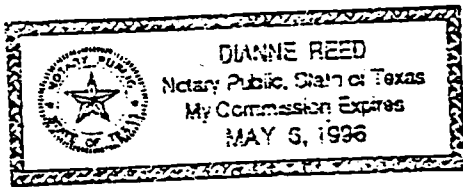
W. Kimber Olchaf
ASSH Secretary

STATE OF TEXAS :

COUNTY OF HARRIS :

I, the undersigned Notary Public, certify that W. Michael Schaffer personally came before me this day and acknowledged that he is ASST Secretary of American General Realty Investment Corporation, a Texas corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its vice President, sealed with its corporate seal and attested by W. Michael Schaffer as its ASST Secretary.

Witness my hand and Notarial Stamp/Seal this the 15th day of March, 1994.



Dianne Reed
Notary Public
My Commission Expires: _____

EXHIBIT "A"

Description

HOPE VALLEY FARMS NORTH

All of that property shown on those recorded plats identified as follows:

- (1) Plat entitled, "Phase 1A, Stonebridge Subdivision, Triangle Twsp., Durham Co., North Carolina", recorded in Plat Book 129, page 187, Durham County Registry.
- (2) Plats entitled, "Phase 1, Stonebridge Subdivision, Triangle Twsp., Durham Co., North Carolina", recorded in Plat Book 130, pages 40, 41 and 42, Durham County Registry.
- (3) Plats entitled, "Final Plat, Arborfield Subdivision, City-Out Twsp., Durham County, North Carolina", recorded in Plat Book 130, pages 150, 151, 152 and 153, Durham County Registry.
- (4) Plats entitled, "Final Plat, Phase 1A, Greyfield, City of Durham, Durham County, North Carolina", recorded in Plat Book 130, pages 78, 79 and 173, Durham County Registry, and Plats entitled, "Final Plat, Phase 1B, Greyfield, City of Durham, Durham County, North Carolina", recorded in Plat Book 130, pages 227 and 228, Durham County Registry.
- (5) Plats entitled, "Final Plat, Phase 1, Hunter's Forest Subdivision, City-Out Twsp., Durham County, North Carolina", recorded in Plat Book 130, pages 133, 134 and 135, Durham County Registry.
- (6) Plats entitled, "Final Plat, Phase 1A, Carlton Crossings, City of Durham, Durham County, North Carolina", recorded in Plat Book 130, page 226, and plats entitled, "Final Plat, Phase 1B, Carlton Crossings, City of Durham, Durham County, North Carolina; recorded in Plat Book 131, pages 6 and 7, Durham County Registry.

EXHIBIT "B"

BEING ALL OF THAT PROPERTY described in that deed from Hope Valley Venture to American General Realty Investment Corporation recorded in Book 1673, page 44, Durham County Registry comprising approximately 775 acres.

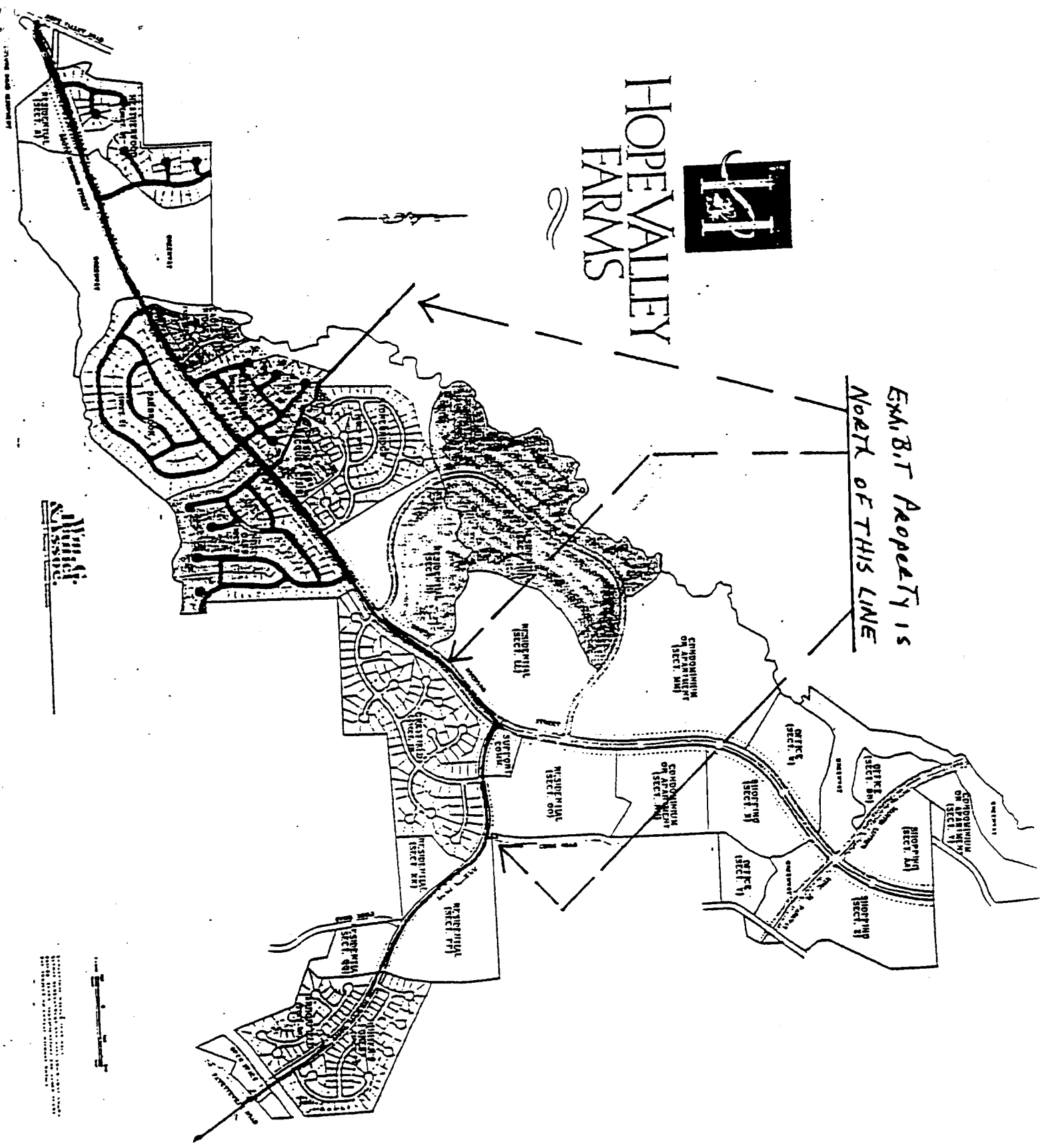
SAVE AND EXCEPT FROM THE FOREGOING DESCRIPTION all of that property contained within the foregoing approximately 775 acres which lies south of Juliette Drive (as existing and as proposed) and lies southeast of South Roxboro Road south of its point of intersection with Juliette Drive; and further saving and excepting all of that property which is on the west side of South Roxboro Road and which lies south of the northern property line of Greenbriar Subdivision as extended to the western line of the property described above.

See attached schematic plan for reference.



HOPE VALLEY FARMS

EXH. B.T. PROPERTY IS
NORTH OF THIS LINE



Maple
Side

SCALE
1" = 100'
1" = 200'
1" = 300'
1" = 400'
1" = 500'