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Alamance, NC
DAVID J.P. BARBER REGISTER OF DEEDS
BK 2695 PG 669-709

RECORD & RETURN TO:
F. Paul Koonts, Esquire
Oertel, Koonts & Oertel, PLLC
3057 South Church Street
Burlington, NC 27215
(336) 524-0355

DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
THE VILLAGE AT ELON

THIS DECLARATION is made on the date hereinafter set forth by VILLAGE AT ELON, LLC, a North Carolina Limited Liability Company, having an office in Alamance County, North Carolina, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the County of Alamance, State of North Carolina, which is more particularly described as follows:

> ALL of the land shown on the plat entitled "The Village at Elon", recorded in Plat Book 72, Page 334, of the Public Records of Alamance County, North Carolina.

WHEREAS, it is the intent of the Declarant hereby to cause the above-described property to be subjected to this Declaration of Covenants, Conditions, and Restrictions.

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NOW, THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, such real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

SECTION 1. "ACT" shall mean and refer to the North Carolina Planned Community Act contained in N.C. General Statutes §47f-1-101, et. seq., as amended from time to time.

SECTION 2. APPROPRIATE LOCAL GOVERNMENTAL AUTHORITY. "Appropriate Local Governmental Authority" shall mean and refer to Alamance County or other appropriate local governmental authority having jurisdiction.

SECTION 3. ASSOCIATION. "Association" shall mean and refer to Village at Elon Homeowners' Association, Inc., a North Carolina Non-Profit Corporation, its successors and/or assigns.

SECTION 4. BY-LAWS. "By-Laws" shall mean and refer to the By-Laws of Village at Elon Homeowners' Association, Inc., a North Carolina Non-Profit Corporation, a copy of which is attached hereto as *Exhibit B*.

SECTION 5. COMMON ELEMENTS OR COMMON AREAS. "Common Elements" or "Common Area" shall mean all real property owned by the Association (whether owned in fee or by way of license or easement) or leased by the Association, other than a Lot. The Common Elements to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

> All of that land designated "Common Elements", "Common Area" or "Open Space" as shown on the plat entitled "The Village at Elon", recorded in Plat Book 72, Page 334, in the Public Records of Alamance County, North Carolina; provided, however, that any land designated as "Open Space" which is dedicated to public use on such plat and which is accepted for maintenance purposes by a public authority shall not be part of the Common Elements.

Declarant reserves the right, in its sole discretion, to convey or cause to be conveyed to the Association from time to time and without the consent of the Association or its members, personal property and improved or unimproved real property, which property may include any portion of the Properties, including any

Additional Property annexed by Declarant pursuant to Article X, Section 4 hereof. The Association shall accept any such conveyance of property and thereafter such property shall be held and maintained by the Association as Common Elements. Improvements, which may include, but shall not be limited to, roadways, retention or detention ponds or erosion control devices, may be located on such additional Common Elements. Declarant shall not be required to make any improvements whatsoever to property to be conveyed and accepted pursuant to this Section, except for any improvements required by governmental entities to be made by Declarant.

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

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

Declarant does not contemplate the construction of any recreational improvements or amenities within the Common Elements (i.e., swimming pool, tennis courts, clubhouse, playground equipment, etc.).

SECTION 6. COMMUNITY. "Community" shall mean that certain real property described in *Exhibit A*, attached hereto, and such additions thereto as may be made by annexation as permitted herein.

SECTION 7. DECLARANT. "Declarant" shall mean and refer to Village at Elon, LLC, a North Carolina Limited Liability Company, as well as its successors and/or assigns pursuant to an express assignment or conveyance of any special Declarant rights hereunder to such successor or assign, all of which rights, including Declarant's

voting, easement, architectural review and development rights, shall be assignable and may be apportioned on a lot-by-lot basis.

SECTION 8. DECLARANT'S DEVELOPMENT PERIOD. "Declarant's Development Period" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Public Records of Alamance County, North Carolina, and continuing for so long as Declarant shall have the right to annex any portion of the Additional Property pursuant to the provisions of Article X, Section 4(b) hereof or Declarant or any affiliate of Declarant, shall own any portion of the Properties.

SECTION 9. FHA; VA. "FHA" shall mean and refer to the Federal Housing Administration of the Department of Housing and Urban Development, and "VA" shall mean and refer to the Department of Veterans Affairs.

SECTION 10. LOT. "Lot" shall mean and refer to any separately numbered plot of land shown upon any now or subsequently recorded subdivision plat of the Properties intended for single-family residential purposes and shall include any improvements constructed thereon and "Lots" shall refer to all such lots collectively. Declarant hereby reserves the right to reconfigure, from time to time and without the consent of the Owners or the Members of the Association, the boundaries of any Lot or Lots owned by Declarant and to thereby create additional Lots, eliminate existing Lots or create additional Common Elements; provided, however, in no event shall the Properties contain a greater number of Lots than the number from time to time permitted by, nor shall any Lot within the Properties contain fewer square feet than the minimum number of square feet from time to time required by, the Appropriate Local Governmental Authority. If Declarant elects to exercise its right to revise the boundaries of one or more Lots owned by Declarant, Declarant shall record a revised plat of the affected Lot or Lots. Upon the recording by Declarant of such a revised plat, each lot shown on the previously recorded plat or plats, the boundaries of which are revised by the revised plat, shall cease to be a "Lot" as defined in this Declaration and each newly configured lot shown on the revised plat shall be a "Lot" as defined in this Declaration.

SECTION 11. MASTER PLAN. "Master Plan" shall mean and refer to the drawings that represent the conceptual plan for the future development of THE VILLAGE AT ELON planned residential development now or hereafter approved by the Appropriate Local Governmental Authority, as such plan(s) may be from time to time amended and approved, which drawings include all of the property described on Schedule A.

SECTION 12. MEMBER. "Member" shall mean and refer to every person or entity who holds membership with voting rights in the Association.

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

SECTION 14. PERIOD OF DECLARANT CONTROL. "Period of Declarant Control" shall mean and refer to the period of time commencing on the date this Declaration is recorded in the Public Records of Alamance County, North Carolina, and continuing until the earlier of: (i) ten (10) years from the date of this Declaration is recorded in the Public Records of Alamance County, North Carolina; or (ii) such time as Declarant, together with all affiliated entities, shall cease to own at least twenty-five percent (25%) of the lots shown on the Master Plan; provided, however, if after the expiration of such period of time, the Master Plan is amended to add additional lots and Declarant, together with all affiliated entities, shall own more than twenty-five percent (25%) of the lots shown on the Master Plan as amended, such period of time shall be reinstated and shall continue until the earlier of: (i) ten (10) years from the date this Declaration is recorded in the Public Records of Alamance County, North Carolina; or (ii) such time as Declarant, together with all affiliated entities, shall cease to own at least twenty-five percent (25%) of the lots shown on the Master Plan which are intended for single-family residential purposes.

SECTION 15. PROPERTIES. "Properties" shall mean and refer to that certain real property hereinabove subjected to the terms and conditions of this Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 16. TOTAL ASSOCIATION VOTE. "Total Association Vote" means all of the votes attributable to Members (including votes of Declarant), and the consent of Declarant so long as Declarant has the right to unilaterally annex additional property to the Community.

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 Elements which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the easements herein reserved by Declarant or created in favor of the Association, including, without limitation the easements set forth in Article VIII hereof;

(b) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Elements;

(c) the right of the Association to suspend the voting rights by the Owner(s) of any Lot for any period during which any assessment against such Lot remains unpaid and for any period during which such Lot or any Owner or occupant thereof is in

violation of the terms of this Declaration or the published rules and regulations of the Association and for a period not to exceed sixty (60) days after any such violation;

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

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

(f) the right of the Association to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which regulations may further restrict the use of the Common Elements, and specifically including the right to establish rules and regulations concerning parking and vehicular traffic flow on and along the streets and roadways, whether public or private, within or abutting the Properties, which rules and regulations may restrict or prohibit on-street parking and may be enforced by towing at the expense of the vehicle's owner, by reasonable fine levied against the vehicle's owner and/or any Owner of a Lot to which such violation reasonably may be attributed, by suspension of the voting rights and easements of enjoyment of any Member or tenant for a period not to exceed sixty (60) consecutive days, or by any other reasonable method of enforcement established by the Association's Board of Directors;

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

Common Elements to fail to comply with applicable laws, regulations or ordinances; and,

(h) subject to the prior written consent of FHA or VA, in the event FHA or VA insured loans have been obtained secured by Lots, the right of the Association to convey to Declarant portions of the Common Elements for the purpose of correcting unintentional conveyances of Common Elements or eliminating unintentional encroachments of dwellings or other improvements onto portions of the Common Elements or for the purpose of enhancing the utility of the Common Elements to be retained by the Association; provided, however, no such conveyance shall interfere with or obstruct utility service to, or ingress, egress or regress to or from, the Lots or any remaining Common Elements or cause any Lot or any remaining Common Elements to fail to comply with applicable laws, regulations or ordinances.

SECTION 2. DELEGATION OF USE. Any Owner may delegate, in accordance with the By-Laws, his rights of enjoyment of the Common Elements and facilities to the members of his family, his tenants or contract purchasers who reside on the Lot of such Owner, subject to such rules and regulations as may be established from time to time by the Association.

SECTION 3. LEASES OF LOTS. Any Lease Agreement between an Owner and a lessee for the lease of such Owner's Lot shall provide that the terms of the Lease shall be subject in all respects to the provisions of this Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation and By-Laws of the Association and that any failure by the lessee to comply with the terms of such document shall be a default under the terms of the lease. All leases of Lots shall be in writing and shall have a term of not less than one (1) month. Other than the foregoing there is no restriction on the right of any Owner to lease his lot.

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

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

SECTION 1. VOTING MEMBERS. Every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including Declarant and any affiliated entity, shall be a voting Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation. Such Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Except as otherwise provided in Section 2 below, on all matters which the Membership shall be entitled to vote, the Member(s) owning each Lot shall be entitled to one (1) vote. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

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

Class A. The Class A Members shall be every person or entity who or which is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, except for Declarant or any affiliated entity during any Period of Declarant Control. Class A Members shall be entitled to one (1) vote for each Lot owned.

Class B. Declarant shall be the Class B Member and Declarant shall be entitled to three (3) votes for each lot shown on the Master Plan which has not been conveyed by Declarant or any affiliated entity, to a Class A Member. The Class B membership shall cease and be converted to a Class A membership on the happening of either of the following events, whichever occurs earlier:

(i) when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; however, the Class B membership shall be reinstated if thereafter, and before the time stated in subparagraph (b) below, the Master Plan is amended to add additional lots sufficient to give the Class B membership a total number of votes (with the Class B membership entitled to three (3) votes for each single-family lot owned) which exceed those of the Class A membership; or,

(ii) ten (10) years from the date of this Declaration is recorded in the Public Records of Alamance County, North Carolina.

SECTION 3. DECLARANT RIGHT TO REPRESENTATION OF THE BOARD OF DIRECTORS OF THE ASSOCIATION. Notwithstanding anything herein to the

contrary, during the Period of Declarant Control, Declarant shall have the right to designate and select all of the members of each Board of Directors of the Association. Whenever Declarant shall be entitled to designate and select any person or persons to serve on any Board of Directors of the Association, the manner in which such person or persons shall be designated shall be as provided in the Articles of Incorporation and/or By-Laws of the Association, and Declarant shall have the right to remove any person or persons selected by it to act and serve on said Board of Directors and to replace such person or persons with another person or other persons to act and serve in the place of any member or members of the Board of Directors so removed for the remainder of the unexpired term of any member or members of the Board of Directors so removed. Any Board of Directors member designated and selected by Declarant need not be a Member or resident of the Properties. Except as otherwise provided in the By-Laws with respect to the filling of vacancies, any members of the Board of Directors which Declarant is not entitled to designate or select shall be elected by the Members of the Association.

ARTICLE IV

COVENANT FOR MAINTENANCE AND ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for any Lot, by acceptance of a deed 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 attorney's 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, late fees, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made when a claim of lien is filed of record in the Office of the Clerk of Superior Court, Alamance County, North Carolina. Each such assessment and charge, together with interest, late fees, costs and reasonable attorney's fees, shall also be the personal obligation of the Owner of such property at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS.

(a) The assessments levied by the Association shall be used exclusively to promote the recreations, health, safety and welfare of the residents of the Properties

and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Elements or the Lots, including but not limited to, the cost of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of any taxes assessed against the Common Elements; the maintenance of open spaces and streets which have not been accepted for dedication by a public authority, roadway medians and islands (including medians and islands located in dedicated rights-of-way within the Properties), drives and parking areas within the Common Elements; the procurement and maintenance of liability insurance in accordance with the By-Laws; the maintenance of dams and ponds, including retention or detention ponds, or other bodies of water, if any, located within the Common Elements; the payment of all Pond Maintenance Costs attributable to the Properties in accordance with the Easement Agreement; the maintenance of entranceways, landscaping and lighting of Common Elements, road medians and islands and entranceways; the cost of operating, maintaining and repairing any street lights erected by the Association or the Declarant in the rights-of-way of streets (whether public or private) or in any other easement provided therefor within the Properties; the payment of charges for garbage collection and municipal water and sewer services furnished to the Common Elements; the exterior maintenance of the Lots as herein provided; the employment of attorneys and other agents to represent the Association when necessary; the provision of adequate reserves for the replacement of capital improvements including, without limiting the generality of the foregoing, paving, and any other major expense for which the Association is responsible; and such other needs as may arise.

(b) The Association 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 Properties which the Association may be obligated to maintain. Such reserve fund is to be established out of regular assessments for common expense.

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

has paid to the Association shall be and constitute an asset of the Association which may be used in the operation and management of the Properties.

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

(a) At least thirty (30) days in advance of each annual assessment period, the Board of Directors 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 of Directors 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 of Directors shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting the Owners of a majority of the Lots reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors.

(b) Assessments shall commence in general when the Board of Directors first determines a budget and levies assessments. The assessments provided for herein shall commence as to a particular Lot on the first to occur of the date that the Lot is first occupied for residential purposes, or is conveyed by the Declarant to an Owner other than the Declarant. A Lot shall be occupied for residential purposes when it has been improved with a dwelling and has been conveyed to an Owner who intends to occupy the dwelling, or, if the dwelling is occupied as a residence before such conveyance, the date of such occupancy.

(c) The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter shall be established by the Board of Directors and may be increased by the Board of Directors without approval by the Membership by an amount not to exceed ten percent (10%) of the maximum annual assessment of the previous year.

(d) The maximum annual assessment for the calendar year immediately following the year in which conveyance of the first Lot to an Owner is made and for each calendar year thereafter may be increased without limit by a vote of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members who are voting, in person or by proxy, at a meeting duly called for this purpose.

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

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any calendar year, a special assessment for the purpose of defraying in whole or in part the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of the Members entitled to cast at least two-thirds (2/3) of the votes of each class of Members who are voting, in person or by proxy, at a meeting duly called for this purpose. All special assessments shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

SECTION 5. 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 Section 3 or 4 of this Article shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast twenty percent (20%) of all the votes of each class of 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.

SECTION 6. RATE OF ANNUAL ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly, quarterly or annual basis, as determined by the Board of Directors.

SECTION 7. DATE AND COMMENCEMENT OF ANNUAL ASSESSMENTS; DUE DATES. The annual assessments provided for herein shall commence as to a Lot on the first to occur of the date that the Lot is first occupied for residential purposes or at the time of closing and conveyance of a Lot to an owner other than Declarant. 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 of Directors. 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. Nothing herein shall be construed to require the Declarant to pay assessments for any Lot which has been approved by the Declarant for use as a model home for marketing and sales purposes, whether owned by Declarant or any other person, so long as such lot is approved for use as a model home and is not occupied for residential purposes.

SECTION 8. WORKING CAPITAL ASSESSMENTS. In addition to the annual assessments authorized above, at the time of the closing of the first sale of each Lot, the purchaser(s) thereof shall pay to the Association an amount equal to two-twelfths (2/12ths) of the then current annual assessment established by the Association. 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 advance or current payment of regular assessments. All monies paid into the Working Capital Fund shall be held and administered by the Association in accordance with the terms of the Declaration and these By-Laws.

SECTION 9. EFFECT OF NON-PAYMENT 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 Directors of the Association, for assessments not paid within thirty (30) days after the due date and after notice and an opportunity to be heard, the Association may suspend privileges or services provided by the Association (except rights of access to Lots) during any period that assessments or other amounts due and owing to the Association remain unpaid for a period of thirty (30) days or longer, which suspension may continue without further hearing until the delinquency is cured. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien created herein against the property in the same manner as prescribed by the laws of the State of North Carolina for the foreclosure of a mortgage or deed of trust on real estate under power of sale, and interest, late fees, costs and reasonable attorney's fees for representation of the Association in such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by nonuse of the Common Area or abandonment of his Lot nor shall damage to or destruction of any improvements on any Lot by fire or other casualty result in any abatement or diminution of the assessments provided for herein.

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

SECTION 11. SUBORDINATION OF THE LIEN TO MORTGAGES. When the holder of a first mortgage or first deed of trust of record, or other purchaser of a lot obtains title to the lot as a result of foreclosure of a first mortgage or first deed of trust or

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

SECTION 12. EXEMPT PROPERTY. All property dedicated to, and accepted by, a public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE V

ARCHITECTURAL CONTROL

SECTION I. IMPROVEMENTS.

(a) No improvements, alteration, repair, change in paint color, excavation, change in grade, planting, landscaping, exterior decoration (including, without limitation, yard ornaments, figurines, statues, bird baths, houses and feeders, flags and similar items) or other work which in any way alters the exterior of any Lot or the improvements located thereon from their natural or improved state existing on the date such Lot was first conveyed in fee by the Declarant to an Owner other than Declarant shall be commenced, erected or maintained upon any Lot and no building, fence, wall, residence or other structure shall be commenced, erected, maintained, improved, altered or removed, until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association or by an architectural committee composed of three (3) or more representatives appointed by the Board of Directors (the "Architectural Control Committee"). The initial Board of Directors shall be ALAN D. ALLRED and TRAVIS SHARPE. Notwithstanding the foregoing, landscaping improvements consisting of plant materials native to the area and commonly used in residential landscaping which do not interfere with the sight lines of motorists at intersections of the streets and/or driveways located within the Properties shall not require approval by the Board of Directors of the Association or the Architectural Control Committee. In addition, temporary seasonal exterior decorations shall not require the prior approval of the Board of Directors or the Architectural Control Committee, but if any such decorations are determined, in the sole discretion of the Board of Directors or

the Architectural Control Committee, to be distasteful or otherwise disruptive of the aesthetics or visual harmony of the community, the Board of Directors or the Architectural Control Committee may require that such decorations promptly and permanently be removed. In the event that an Owner neglects or fails to remove any such decorations at the request of the Board of Directors or the Architectural Control Committee, the Association may provide such removal.

In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times for such purpose and the cost of such removal shall be added to and become a part of the assessment to which such Lot is subject. Notwithstanding the foregoing, nothing herein contained shall prevent or interfere with the right of Declarant to improve and develop the Properties, including the Lots, as Declarant chooses, so long as said development follows the general plan of development of the Properties previously approved by the Appropriate Local Governmental Authority. Accordingly, Declarant need not seek or obtain the approval of the Architectural Control Committee for improvements erected on the Properties by or at the direction of Declarant or any affiliate of Declarant. In addition, during Declarant's Development Period, Declarant may approve any plans and specifications rejected by the Board of Directors or the Architectural Control Committee for the construction or alteration of improvements on any Lot provided the construction or alteration approved by Declarant comport with the general scheme of development approved by the Appropriate Local Governmental Authority. Such approval by Declarant or its affiliate shall operate and have the same effect as approval by the Board of Directors or the Architectural Control Committee.

(b) In addition to any other requirements or restrictions that the Board of Directors or Architectural Control Committee may impose on the construction of improvements, no building including outbuildings or storage buildings may be constructed in areas on any Lot designated as a Buffer Yard or within areas on any Lot that is designated as a sight easement. The Owner of any Lot on which a buffer yard is located must comply with any applicable requirements for use of and landscaping in such buffer area.

(c) In addition to any other requirements or restrictions that the Board of Directors or Architectural Control Committee may impose on the construction of fences, the following restrictions shall apply:

(i) Fences shall be constructed so that the smooth side of the fence shall face outward toward streets or adjacent Lots; and,

(ii) All fencing must be made of wood and shall be of a similar color and size to all fencing on other lots.

SECTION 2. PROCEDURES.

(a) Any person desiring to make any improvements, alteration or change described in Article V, Section 1 above shall submit the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the same to the Board of Directors of the Association or the Architectural Control Committee which shall evaluate such plans and specifications in light of the purposes of this Article.

(b) Upon approval by the Architectural Control Committee of any plans and specifications submitted pursuant to this Declaration, a copy of such plans and specifications, as approved, shall be deposited for permanent record with the Architectural Control Committee and a copy of such plans and specifications bearing such approval, in writing, shall be returned to the applicant submitting the same. Approval for use in connection with any Lot of any plans and specifications shall not be deemed a waiver of the Architectural Control Committee's right, in its discretion, to disapprove similar plans and specifications or any of the features or elements included therein if such plans, specifications, features or elements are subsequently submitted for use in connection with any other Lot. Approval of any such plans and specifications relating to any Lot, however, shall be final as to that Lot and such approval may not be reviewed or rescinded thereafter, provided that there has been adherence to, and compliance with, such plans and specification, as approved, and any conditions attached to any such approval. As a condition to the granting of approval of any request made under this Article, the Association may require that the Owner(s) requesting such change be liable for any cost of maintaining, repairing and insuring the approved alteration. If such condition is imposed, the Owner(s) shall evidence consent thereto by a written document in recordable form satisfactory to the Association. Thereafter, the Owner(s), and any subsequent Owner(s) of the Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, are deemed to covenant and agree that the cost of maintaining, repairing and insuring such alteration shall be a part of the annual assessment or charge set forth herein, and subject to the lien rights described herein.

(c) Neither Declarant, nor any other member of the Association's Board of Directors or Architectural Control Committee, shall be responsible or liable in any way for any defects in any plans or specification approved by them, nor for any structural defects in any work done according to such plans and specifications. Further, neither Declarant, nor any member of the Association's Board of Directors or Architectural Control Committee, shall be liable in damages to anyone by reason of mistake in judgment, negligence, misfeasance, malfeasance or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specification or the exercise of any other power or right provided for in this Declaration. Every Person who submits plans or specifications for approval agrees, by submission of such plans and specifications, and every owner of any Lot agrees, that he or she will not bring any action or suit against Declarant, or any member of the Association's Board of Directors or Architectural Control Committee, to recover any such damage.

ARTICLE VI

EXTERIOR MAINTENANCE

SECTION 1. MAINTENANCE TO BE PERFORMED BY THE ASSOCIATION. The Association shall maintain the Common Elements and the following whether or not constituting Common Elements:

(a) All Community entry features, including entry area landscaping and any irrigation system and the expenses for water and electricity, if any, provided to all such entry features;

(b) Community landscaping or perimeter fencing originally installed by Declarant, whether or not such landscaping or fencing is on a Lot, privately owned property or public right-of-way;

(c) All storm water detention/retention pond and storm water drainage facilities serving the Community;

(d) All street medians and island located in the Community, to the extent such are not maintained on an ongoing basis by a government body; and,

(e) All property outside of Lots located within the Community which was originally maintained by Declarant.

SECTION 2. MAINTENANCE TO BE PERFORMED BY THE OWNERS. Each Owner shall be responsible for the exterior maintenance of his or her dwelling and Lot, including, without limitation, the following: painting, replacement and care of roofs, gutters, downspouts, exterior building surfaces, lawn, trees, shrubs, landscaping, driveways, steps, walks and other exterior improvements. Each Owner shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all utility lines, fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to such Owner's Lot which are not publicly maintained.

In the event that an Owner neglects or fails to maintain his or her improved Lot and/or the exterior of his or her dwelling in a manner consistent with other improved Lots and dwellings within the Properties or fails to maintain his or her improved Lot in a safe condition and free of debris, the Association may provide such exterior maintenance but shall not be obligated to do so. Provided, however, that the Association shall first give written notice to the Owner of the specific items of exterior maintenance or repair the Association intends to perform and the Owner shall have twenty (20) days from the date of mailing of said notice within which to perform such exterior maintenance himself or herself. The determination as to whether an Owner has neglected or failed to maintain his or her Lot and/or dwelling in a manner consistent with other Lots and dwellings within the Properties shall be made by the Board of Directors

of the Association, in its sole discretion. In the event the Association performs such exterior maintenance, repair or replacement, the cost of such maintenance, replacement or repairs shall be added to and become a part of the assessment to which such Lot is subject. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association the right to unobstructed access over and upon each Lot at all reasonable times to perform maintenance as provide in this Article.

ARTICLE VII

RESTRICTIONS

SECTION 1. LAND USE AND BUILDING TYPE. No Lot shall be used except for single-family residential, street or park purposes; provided, however, Declarant or any affiliated entity may use any Lot owned or leased by Declarant or any affiliated entity as a temporary sales office and/or model for the purposes of carrying on business related to the development, improvement and sale of any portion of the Properties or the Additional Property. No building shall be erected, placed or permitted to remain on any Lot other than one detached single-family dwelling not to exceed two (2) stories in height, an attached private garage for not more than two (2) cars, and one (1) permanent accessory building incidental to the residential use of the Lot.

SECTION 2. DWELLING SPECIFICATIONS. No dwelling shall be erected or allowed to remain on a Lot if the main structure, exclusive of open porches, decks and garages, contains less than one thousand six hundred fifty (1650) square feet of heated floor area for a one-story residence, and not less than one thousand eight hundred (1800) square feet of heated floor area for a two-story residence.

All proposed house plans shall be approved by the Declarant or the Association as set forth in Article V. The exterior of all dwellings shall be constructed primarily of brick or stone. All dwellings shall use architectural shingles and construct a sidewalk to the front entrance.

SECTION 3. NUISANCE. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. No Lot or other area within the Properties shall be used as a dumping ground for rubbish or as a site for the accumulation of unsightly materials of any kind, including, without limitation, broken or rusty equipment and discarded appliances and furniture. No clothesline shall be placed on any Lot.

SECTION 4. MOTOR VEHICLES. No boat, marine craft, hovercraft, aircraft, trailer, camper, truck greater than one ton in size or motorized van used for commercial purposes (as distinguished from a van used as a passenger car) shall be parked within the right of way of any public or private street adjacent to any Lot or on any Lot, except that any of the above may be parked completely inside a garage. This restriction shall not apply to any vehicle, machinery or equipment temporarily parked and in use for the

construction, maintenance or repair of a residence in the immediate vicinity of the parking area. No vehicles or similar equipment shall be parked or stored in an area visible from any street except passenger automobiles, passenger vans, motorcycles, and pick-up trucks that are in operable condition and have current license plates and inspection stickers. No inoperative motor vehicle may be parked or stored on any Lot or any public or private street or other area within the Properties for a period of excess of 48 hours.

SECTION 5. ANIMALS. No animals, livestock or poultry of any kind shall be kept or maintained on the Common Elements or on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and further provided that they are kept and maintained in compliance with (i) all applicable laws and ordinances; and (ii) such rules and regulations pertaining thereto as the Board of Directors may adopt from time to time, which rules and regulations may, among other things, restrict the number, type and size of domestic pets.

SECTION 6. OUTSIDE ANTENNAS. Except as permitted under applicable regulations promulgated by the Federal Communications Commission or other applicable state, federal or local laws or regulations, (i) no outside antennas or satellite dishes and no free standing transmission or receiving towers shall be erected on any Lot within the Properties without the prior written permission of the architectural Review Committee, and (ii) any antenna or satellite dish erected on any Lot within the Properties shall be affixed to the dwelling, shall not exceed one meter in diameter, shall be a color which blends with its surrounds, shall have a mast only as high as reasonably necessary to receive the intended signal and the Owner shall use his or her best efforts to conceal the same from view from the street or an adjacent lot.

SECTION 7. SUBDIVISION OF LOTS. Except as permitted under Article I, Section 7, no Lot shall be subdivided and no street shall be laid out or open across or through any Lot, without the written consent of Declarant, during Declarant's Development Period, and thereafter except with the prior written consent of the Association. The Owners of adjoining Lots, however, may vary the boundary lines between their Lots, provided such subdivision is accomplished in compliance with all applicable subdivision and other ordinances and the size of each Lot is not reduced to less than 8,000 square feet.

SECTION 8. SIGNS. No sign shall be placed or allowed to remain on any Lot except for ONE (1) "For Sale" sign, or one other temporary sign to advertise a yard sale or other temporary activity on the Lot and such other temporary sign shall not be permitted to remain on any Lot for more than SEVENTY-TWO (72) consecutive hours. No sign deemed by the Association, the Architectural Control Committee or Declarant to be a nuisance or a detriment to the Properties or the Additional Property shall be permitted to be erected or to remain on any Lot. Notwithstanding the foregoing, during Declarant's Development Period, Declarant and its affiliates shall have the right to erect and maintain signs within the Common Elements or on any Lot owned or leased by

Declarant or its affiliates for the purpose of advertising and promoting the sale of any portion of the Properties or the Additional Properties.

SECTION 9. MOBILE HOMES, MANUFACTURED HOMES, ETC. No mobile home, manufactured home, modular home, trailer, other like structure shall be located or installed on any Lot. As used in this Section, mobile home, manufactured home or modular home shall mean a structure, assembled in whole or in part in a location other than on the Lot itself, transportable in one or more sections, any section of which, during transport, is four (4) feet or more in width and ten (10) feet or more in length, which may or may not be built on a permanent chassis and which is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. Notwithstanding the foregoing, Declarant and builders or contactors approved by Declarant may maintain temporary improvements (such as a sales office and/or construction trailer) on any Lot during the construction and developing period.

SECTION 10. POOLS. No above-ground swimming pool shall be placed or constructed on any Lot. No below-ground swimming pool shall be constructed without obtaining written approval of the construction plans for such pool from the Board of Directors or Architectural Review Committee and applicable governmental jurisdictions. All below-ground pools shall be located to the rear of any residence and shall be fenced so as not to be visible from adjoining property.

SECTION 11. FENCES OR WALLS. No fence, wall or other enclosure shall be constructed on any Lot without first obtaining the approval of the Architectural Control Committee as provided in Article V of this Declaration. No fence on any Lot shall be permitted to extend nearer to any front street than the front building line of the residence located on that Lot or closer than fifteen (15) feet to any side street. No portion of any fence erected on any Lot may exceed six (6) feet in height and chain link fences are not permitted. Notwithstanding the foregoing, Declarant, its successors and assigns, and the Association shall have the right to erect chain link fences and any other type of fences and enclosures within the Common Elements to enclose retention ponds and for other purposes without the approval of the Architectural Control Committee, such fences and other enclosures to become a part of the Common Elements to be maintained by the Association.

ARTICLE VIII

EASEMENTS

SECTION 1. UTILITIES. Easements for installation and maintenance of utilities (including cable television service) and drainage facilities are reserved as indicated on recorded plats. In addition, Declarant reserves, for itself and the Association, additional easements and rights-of-way for the installation and maintenance of utilities (including cable television service) and drainage facilities over the rear TEN (10) feet of all Lots and over each side FIVE (5) feet of all Lots. Within these easements no structures,

planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the drainage easements, or which may obstruct or retard the flow of water through drainage channels in the easements. An easement is hereby established for the benefit of the appropriate governmental entity (and any other person or firm providing services to the Properties under agreement with or at the direction of the Association) over all Common Elements as may be reasonable necessary for the setting, removal and reading of water meters, and the maintenance and replacement of water, sewer and drainage facilities and for the fighting of fires and collection of garbage. The Association shall have the power and authority to grant and establish upon, over and across the Common Elements such additional easements as are necessary or desirable for the providing of service or utilities to the Common Elements or Lots.

SECTION 2. SIGNS. Declarant hereby grants, gives and conveys to the Association a perpetual, non-exclusive easement over any portion of the Lots designated as "sign easements" on plats of the Properties, now or hereafter recorded, to erect, maintain, replace and repair subdivision signs and landscaping and/or lighting surrounding the same and all such easements shall be part of the Common Elements. The Association shall maintain all subdivision signs and landscaping and lighting surrounding same now or hereafter erected within the Common Elements. The costs of all such maintenance, repair and replacement of such signs, landscaping and lighting shall be part of the common expenses of the Association, payable by the Owners as set out in Article IV hereof. Further, during Declarant's Development Period, Declarant shall have the right to erect within the Common Elements additional subdivision signs and landscaping and lighting surrounding the same to be maintained by the Association as herein provided and to erect and maintain signs within the Common Elements for the purpose of advertising and promoting the sale of any portion of the Properties or the Additional Property.

SECTION 3. EASEMENT RESERVED BY DECLARANT. Declarant hereby reserves such easements on, across and over the Common Elements as shall be reasonably necessary for (i) the exercise by Declarant or any affiliated entity of any right herein reserved, including, without limitation, Declarant's right, should Declarant elect, to annex the Additional Property, as hereinafter defined and (ii) the development by Declarant or any affiliated entity, their respective successors and assigns, of the Additional Property, should Declarant elect not to annex the Additional Property, including, without limitation, easements for ingress, egress and regress over private roads and streets now or hereafter erected on the Properties and easements for the use of all utility lines, fixtures and/or their connections located within the Common Elements for the purpose of providing water, light, power, telephone, sewage and sanitary service to the Additional Properties. The public roadways will be under the control of the Department of Transportation, Town of Elon.

ARTICLE IX

RIGHTS RESERVED UNTO INSTITUTIONAL LENDERS

SECTION 1. ENTITIES CONSTITUTING INSTITUTIONAL LENDERS. "Institutional Lender" as the term is used herein shall mean and refer to banks, savings and loan associations, insurance companies or other firms or entities customarily affording loans secured by first liens on residences, and eligible insurers and governmental guarantors.

SECTION 2. OBLIGATION OF ASSOCIATION TO INSTITUTIONAL LENDERS. So long as any Institutional Lender shall hold any first lien upon any Lot, or shall be the Owner of any Lot, such Institutional Lender shall have the following rights:

(a) To inspect the books and records of the Association during normal business hours and to be furnished with at least one (1) copy of the annual financial statement and report of the Association prepared by a certified public accountant designated by the Board of Directors of the Association, such financial statement or 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 this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation, or By-Laws of the Association or of any proposed abandonment or termination of the Association or the effectuation of any decision to terminate professional management of the Association and assume self-management by the Association.

(c) To receive notice of any condemnation or casualty loss affecting the Common Elements or any portion thereof.

(d) To be notified of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

(e) To have the right to approve of any alienation, release, transfer, hypothecation or other encumbrance of the Common Elements, other than those specific rights vested in the Association under Article II hereof.

(f) To be given notice of any delinquency in the payment of any assessment or charge (which delinquency remains uncured for a period of sixty (60) days) by any Owner owing a Lot encumbered by a mortgage held by the Institutional Lender, such notice to be given in writing and to be sent to the principal office of such Institutional Lender, or to the place which it may designate in writing.

SECTION 3. REQUIREMENTS OF INSTITUTIONAL LENDER. Whenever any Institutional Lender desires to avail itself of the provisions of this Article, it shall furnish written notice thereof to the Association by CERTIFIED MAIL at the address shown in

the Articles of Incorporation identifying the Lot or Lots upon which any such Institutional Lender holds any first lien or identifying any Lot or Lots owned by such Institutional Lender and such notice shall designate the place to which notices, reports or information are to be given by the Association to such Institutional Lender.

ARTICLE X

GENERAL PROVISIONS

SECTION 1. ENFORCEMENT. The Owner(s) of each Lot shall be governed by and shall comply with the provisions of this Declaration, the By-Laws of the Association, and all rules and regulations of the Association adopted pursuant thereto, as any of the same are now constituted or as they may be amended from time to time. A default by any Owner shall entitle the Association or the Owner(s) of any of the other Lots to the following relief:

(a) 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, the By-Laws of the Association, and all rules and regulations of the Association adopted pursuant thereto. Failure to comply with any of the terms of this Declaration or other restrictions and regulations contained in the By-Laws of the Association, or which may be adopted pursuant thereto, shall be grounds for relief including without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. The Association shall have the right to request that law enforcement, public safety and animal control officers come on the Properties to facilitate the enforcement of the laws, codes and ordinances of any governmental authority.

(b) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to assess reasonable fines against an Owner for violations of this Declaration, the By-Laws of the Association, or the Association's published rules and regulations by such Owner, or such Owner's family, guest, invitees and lessees in an amount not to exceed $150.00 for each violation, and, without further hearing, for each day after the decision that the violation occurs. Such fines shall be deemed to be assessments as set forth in Article IV of the Declaration and if not paid within thirty (30) days after notice and demand therefor, the Association shall be entitled to the remedies set forth in the Declaration for the enforcement and collection of delinquent assessments.

(c) The Association, after notice to the Owner and a reasonable opportunity to be heard, shall have the right to suspend privileges or services provided by the Association (except rights of access to Lots) for reasonable periods for violations of this Declaration or the By-Laws, Articles or rules and regulations of the Association. If it is decided that a suspension of privileges or services provided by the Association should

be imposed, the suspension may be continued without further hearing until the violation is cured.

(d) If an Owner is legally responsible for damage inflicted on any Common Area, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover damages from the responsible Owner. If damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner. When any such claim for damages against an Owner or the Association is less than or equal to the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, any aggrieved party may request that a hearing be held before an adjudicatory panel appointed by the Board of Directors of the Association to determine if an Owner is responsible for damages to any Common Area or the Association is responsible for damages to any Lot. If the Board of Directors fails to appoint an adjudicatory panel to hear such matters, such hearings shall be held before the Board of Directors. Such panel shall accord to the party charged with causing damages notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. This panel may assess liability for each damage incident against each Owner charged or against the Association not in excess of the jurisdictional amount established for small claims by North Carolina General Statute 7A-210. When the such claim exceeds the jurisdictional amount established for small claims by North Carolina General Statute 7A-210, liability of any Owner charged or the Association shall be determined as otherwise provided by law. Liabilities of Owners determined by adjudicatory hearing or as otherwise provided by law shall be assessments secured by lien under Section 47F-3-116 of the Planned Community Act. Liabilities of the Association determined by adjudicatory hearing or as otherwise provided by law may be offset by the Owner against sums owing to the Association and if so offset, shall reduce the amount of any lien of the Association against the Lot at issue.

(e) In any proceeding arising because of an alleged default by an Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court.

(f) The failure of the Association or any Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration or the other above-mentioned documents shall not constitute a waiver of the right of the Association or of the Owner to enforce such right, provision, covenant or condition in the future.

(g) All rights, remedies and privileges granted to the Association or the Owners, pursuant to any terms, provisions, covenants or conditions of the Declaration or other above-mentioned documents, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and

additional rights, remedies or privileges as may be available to such party at law or in equity.

(h) The failure of Declarant to enforce any right, privilege, covenant or condition which may be granted to it by this Declaration or other above-mentioned document shall not constitute a waiver of the right of Declarant to thereafter enforce such right, provision, covenant or condition in the future.

SECTION 2. SEVERABILITY. Invalidation of any one of the covenants or restrictions by judgment or court order shall in no wise affect any other provision which shall remain full force and effect.

SECTION 3. AMENDMENT. The covenants and restrictions of this Declaration shall run and bind the land for a term of fifty (50) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated or amended as hereinafter provided. This Declaration may be terminated or amended by an instrument signed by not less than eight percent (80%) of the votes of the Owners; provided, however, during Declarant's Development Period, this Declaration may not be amended or terminated without Declarant's consent; and no amendment relating to the maintenance or ownership of any permanent detention or retention pond shall be effective unless reviewed and approved by the governmental office having jurisdiction for watershed protection. Any amendment must: (1) be executed on behalf of the Association by its duly authorized officers; (2) contain an attestation by the officers executing the amendment on behalf of the Association that the requisite Owner and Declarant approval has been obtained and is evidenced by written acknowledgment(s) signed by the Owners approving the amendment and, if required, Declarant, and that such acknowledgments made a part of the Minute Book of the Association; and (3) be properly recorded in the Office of the Register of Deeds of Alamance County, North Carolina. For the purpose of this section, additions to existing property by Declarant pursuant to Section 4 of this Article shall not constitute an "amendment." In the event this Declaration is terminated in accordance with the provisions hereinabove provided, Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner for 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 pro rata share of the cost of the maintenance of all permanent retention or detention ponds.

SECTION 4. ANNEXATION.

(a) Except as provided in Subsection (b) of this Section 4, Article X, additional residential property and Common Elements may be annexed to the Properties only with the consent of the Members entitled to cast two-thirds (2/3) of the votes of each class of Membership in the Association, who are voting, in person or by proxy, at a meeting duly called for such purpose; provided, however, during any Development Period, Declarant must also consent to such action.

(b) Additional land within the area described in the metes and bounds description attached hereto as *"Exhibit A"* and incorporated herein by reference, together with any other property located adjacent to the Properties (collectively, the "Additional Property") may be annexed by the Declarant without the consent of Members within ten (10) years of the date of this instrument, provided that, in the event FHA or VA insured loans have been obtained to purchase Lots, FHA and VA determines that the annexation is in accord with the general plan from time to time approved by them. For the purpose of determining whether property is adjacent to the Properties, the rights-of-way of public roads and utilities, as well as rivers and streams, shall be deemed not to separate otherwise adjacent property. Declarant shall have no obligation of any kind to annex any or all of the Additional Property and, should Declarant elect to annex all or any portion of the Additional Property, Declarant shall have no obligation of any kind to annex the Additional Property in any particular sequential order. Should Declarant elect to annex all or any portion of the Additional Property and accordingly to subject such property to the terms and conditions of this Declaration, with regard to all or any part of the Additional Property annexed by Declarant, to make such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration (including, without limitation, those contained in Section 2 of Article VII hereof) as may be necessary or convenient, in the sole judgment of the Declarant, to and reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such additions and/or modifications shall have no effect upon the properties previously subjected to this Declaration. With regard to any portion of the Additional Property not annexed by Declarant, Declarant makes no representations with regard to the use of such property or the exterior appearance, design, size or intended purpose of any improvements now or hereafter erected on such property.

SECTION 5. FHA/VA APPROVAL. During any period of Declarant Control, the following actions will require the prior approval of the Federal Housing Administration or the Department of Veterans Affairs provided that FHA or VA loans have been obtained to purchase Lots: annexation of additional properties, dedication of Common Elements and amendment of this Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation or the By-Laws for the Association.

SECTION 6. AMPLIFICATION. The Provisions of this Declaration are amplified by the Articles of Incorporation and By-Laws of the Association; but no such amplification shall alter or amend any of the rights or obligations of the Owners set forth in this Declaration. Declarant intends that the provisions of this Declaration on the one hand, and the Articles of Incorporation and By-Laws of the Association on the other be interpreted, construed, and applied to avoid inconsistencies or conflicting results. If such conflict necessarily results, however, Declarant intends that the provisions of this Declaration control anything contained in the Articles of Incorporation or By-Laws of the Association.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this "Declaration of Covenants, Conditions and Restrictions for The Village at Elon" to be executed in its name and its corporate seal hereto affixed as of the 2nd day of April, 2008.

VILLAGE AT ELON, LLC, a North Carolina Limited Liability Company

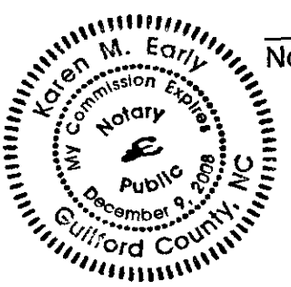
By: Alan D. Allred
ALAN D. ALLRED
Manager

NORTH CAROLINA, ALAMANCE COUNTY

I, a Notary Public of the County and State aforesaid, certify that ALAN D. ALLRED personally came before me this day and acknowledged that he is the Manager of VILLAGE AT ELON, LLC, a North Carolina Limited Liability Company, and that by authority duly given, he signed the foregoing instrument in its name and on its behalf as its act and deed.

Witness my hand and official seal this 2nd day of April, 2008.

Karen M. Early
Notary Public



My Commission Expires:
12-9-08

CONSENT OF LENDER

First National Bank & Trust, as beneficiary under the Deed of Trust recorded in Book 2534, Page 814-825, of the Public Records of Alamance County, North Carolina, and First National Investor Services, Inc. as Trustee under the Deed of Trust, join in the execution of this Declaration of Covenants, Conditions and Restrictions for the Village at Elon in order to evidence their consent thereto.

LENDER/BENEFICIARY:
CommunityOne Bank N.A F/K/A
First National Bank & Trust, N.A.

By: _____
VICE President

TRUSTEE:
Investor Services Inc
First National ~~Bank & Trust~~

By: _____
ASST VICE President

NORTH CAROLINA, ALAMANCE COUNTY

I, a Notary Public of the County and State aforesaid, certify that Rupert Pate personally came before me this day and acknowledged that he is Vice President of CommunityOne Bank N.A, a banking corporation, and that he, as Vice President, being authorized to do so, executed same on behalf of the corporation.

Witness my hand and official seal this 2 day of April, 2008.

PATRICIA BROWN NOTARY PUBLIC ALAMANCE COUNTY, NC

_____
Notary Public

My Commission Expires:

2-15-09
NORTH CAROLINA

ALAMANCE COUNTY

I, a Notary Public of the County and State aforesaid, certify that Pete Burgess personally came before me this day and acknowledged that he is Asst Vice President of First National Investor Services INC., a corporation, and that he, as Asst Vice President, being authorized to do so, executed same on behalf of the corporation.

Witness my hand and official seal this 2 day of April, 2008.

Patricia Brown
Notary Public

My Commission Expires:

2-15-09

PATRICIA BROWN NOTARY PUBLIC ALAMANCE COUNTY, NC

EXHIBIT "A"

ALL of the land shown on the plat entitled "The Village at Elon", recorded in Plat Book _____, Page _____, of the Public Records of Alamance County, North Carolina.

EXHIBIT "B"

Copy of By-Laws attached as Exhibit "B"

BY-LAWS

OF

VILLAGE AT ELON HOMEOWNERS' ASSOCIATION, INC.,
a non-profit corporation

ARTICLE I
NAME AND LOCATION

The name of the corporation is VILLAGE AT ELON HOMEOWNERS' ASSOCIATION, INC., a non-profit corporation, hereinafter referred to as "the Association".

The principal office of the corporation shall be located at **206 Ashley Trace, Elon, Alamance County, North Carolina 27244**, or at such other place as the Board of Directors shall designate from time to time.

ARTICLE II
DEFINITIONS

Section 1. *"Association"* shall mean and refer to VILLAGE AT ELON HOMEOWNERS' ASSOCIATION, INC., a non-profit corporation, its successors and assigns.

Section 2. *"Properties"* shall mean and refer to that certain real property described in the Declaration herein referred to, together with such additional real property as may be hereafter conveyed to it pursuant to annexation provisions set forth in said Declaration.

Section 3. *"Common Area"* shall mean all of the Properties except Lots and dedicated streets, and shall refer to all real property owned by the Association for the common use and enjoyment of the Owners.

Section 4. *"Lot"* shall mean and refer to any numbered plot of land designated by letter or number (for example, "1") shown upon any recorded subdivision map of the Properties with the exception of the Common Area and dedicated streets.

Section 5. *"Owner"* shall mean and refer to the record Owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, but excluding those having an interest as security for the performance of an obligation.

Section 6. *"Living Unit"* shall mean and refer to any portion of a building situated upon the Properties designated and intended for use and occupancy as a residence by a single family.

Section 7. *"Declarant"* shall mean and refer to VILLAGE AT ELON HOMEOWNERS' ASSOCIATION, INC., a non-profit corporation, its successors and assigns.

Section 8. *"Declaration"* shall mean and refer to the Declaration of Covenants, Conditions and Restrictions of even date applicable to the Properties.

Section 9. *"Member"* shall mean and refer to those persons or entities entitled to membership with voting rights as provided in the Declaration and Article III of these By-Laws.

ARTICLE III
MEMBERSHIP AND PROPERTY RIGHTS

Section 1 - Membership. Every Owner of a Lot, which is subject to a lien for assessments, shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot subject to assessment. The voting rights of the Members shall be as provided by the Declaration.

Section 2 - Property Rights. Each Member shall be entitled to the use and enjoyment of the facilities as provided in the Declaration. Any member may delegate his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers who reside on the property. Such Member shall notify the secretary of the Association in writing of the name of the delegate. The rights and privileges of such delegates are subject to suspension to the same extent as those of the Member.

ARTICLE IV
MEETINGS OF MEMBERS

Section 1 - Annual Meetings. The first annual meeting of the Members shall be held during the calendar year in which the Articles of Incorporation are filed, and the next regular annual meeting shall be held during the subsequent calendar year at such times and at such places as may be determined by the Board of Directors. Each subsequent regular annual meeting of the Members shall be held each year thereafter at a regular time not earlier than ten (10) months nor later than fourteen (14) months after the preceding annual meeting at such times and at such places in ALAMANCE County, North Carolina, as the Board of Directors may determine.

Section 2 - Special Meeting. Special Meetings of the Members may be called at any time by the president, or by a majority of the Board of Directors, and shall be called by said Board upon a written request of the Members who are entitled to vote one fourth (1/4) of all the votes of the Class A Membership. The agenda for such special meetings shall be limited to the items of business stated in the notice of said meetings given in the manner hereinbelow provided.

Section 3 - Notice of Meetings. Written notice of each meeting of the Member shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Proof of such mailing shall be given by the Affidavit of the person giving the notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, items of business to be considered at the meeting. Waiver by a Member in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice.

Section 4 - Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one tenth (1/10) of the votes of each class of Membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5 - Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE V
BOARD OF DIRECTORS: SELECTION; TERM OF OFFICE

Section 1 - Number. The affairs of this Association may be managed by a Board of **two (2)** Directors, a majority of who must be Members of the Association. The initial Board of Directors shall be ALAN D. ALLRED and TRAVIS SHARPE.

Section 2 - Term of Office. At the first annual meeting, and at such annual meeting thereafter, the Members shall elect five (5) Directors who shall serve for a term of two (2) years or until their respective successors are properly chosen as set forth in the Articles of Incorporation; provided, however, that the number of Directors shall be three (3) until there are twelve (12) Class A Members as stated in the Articles of

Incorporation. Directors shall serve until their respective successors are duly elected or until removed in the manner elsewhere provided herein or as may be provided by law.

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

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

Section 5 - Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE VI
NOMINATION AND ELECTION OF DIRECTORS

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

Section 2 - Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII
MEETINGS OF DIRECTORS

Section 1 - Regular Meetings. Regular meetings of the Board of Directors shall be held monthly, or at such other periodic intervals as may be established by the Board of Directors from time to time at such place and hour as may be fixed from time to time by resolution of the Board.

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

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

ARTICLE VIII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

(a) Adopt and publish rules and regulations governing the use of the Common Area and facilities, the personal conduct of the Members and their guests thereon and to establish penalties for the infraction thereof;

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

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

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

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

(f) Employ attorneys and accountants to perform professional services for the Association as deemed necessary; and

(g) Perform those duties hereinafter specified.

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

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members, or any special meeting when such

statement is requested in writing by one fourth (1/4) of the Class A Members who are entitled to vote;

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

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

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

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

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.

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

(e) Procure and maintain adequate liability insurance covering the Association, its Directors, officers, agents and employees and to procure and maintain adequate hazard insurance on the real and personal property owned by the Association as it deems necessary and desirable;

(f) Cause all officers and employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) Cause the Common Area to be maintained;

(h) Cause the private roads to be maintained;

(i) Cause all water and sewer lines and connections for which the City of Burlington is not responsible, exclusive of internal plumbing, to be maintained where such are located under or upon the Common Area or Lots;

(j) Provide water to the Common Area and pay the costs thereof; provide lighting and such other electrical services and utilities to the Common Area as may be deemed necessary or desirable by the Directors of the Association, and pay the cost thereof; and provide cable television (or if such is not available or deemed desirable by

the Directors in their discretion, a common antenna service if deemed desirable) for the Living Units and pay the costs thereof;

(k) Adopt and approve a budget for each fiscal year which shall contain itemized estimates of the income of the Association and expenditures involved in performing the functions of the Association; such budget shall be adopted and approved by the Board on or before December 31 of each calendar year and such budget shall be based on income and expenditures for twelve (12) months next preceding November 30 of that year;

(l) At the time of the approval and adoption of the annual budget, set the maximum annual assessment for the succeeding year;

(m) Adopt procedures to assure that all residences are properly insured for fire and other casualty.

ARTICLE IX
OFFICERS AND THEIR DUTIES

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

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

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

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

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

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

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

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

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

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

(c) Secretary - The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of all the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; service notices of meetings of the Board and of the Association, together with their addresses and shall perform such other duties as required by the Board. The secretary shall not be a member of the Board of Directors. The secretary shall be compensated for services as such as the Board of Directors may determine.

(d) Treasurer - The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members. The treasurer may be compensated for services as such as the Board of Directors may determine. The treasurer shall be bonded by a corporate surety licensed to do business in North Carolina in an amount determined by the Board of Directors.

ARTICLE X
COMMITTEES

The Board of Directors shall appoint an Architectural Control Committee as provided in the Declaration and a Nominating Committee as provided in these By-Laws,

and such other committees and subcommittees as are deemed appropriate in carrying out its purpose.

An executive committee shall be composed of past presidents of the Association for such time as they remain Members of the Association; executive committee members shall receive notice of and copies of the agenda of regular meetings of the Board of Directors, may attend such meetings and may give such advice and counsel and perform such duties as directed and requested by the Board of Directors; members of the executive committee shall have no voting rights at the meetings of the Board of Directors.

ARTICLE Xi
BOOKS AND RECORDS

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

ARTICLE XII
ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of eight percent (8%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessments. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

ARTICLE XIII
CORPORATE SEAL

The Association shall provide a seal which shall consist of two concentric circles between which is the name of the Association and in the center of which is inscribed "SEAL"; and such seal, as impressed on the margin hereof, is hereby adopted as the seal of the Association.

ARTICLE XIV
AMENDMENTS

Section 1. These By-Laws may be amended at a regular or special meeting of the Members or by a vote of a majority of a quorum of Members present, in person or by proxy. Upon the approval of any amendment or amendments, the same shall become binding upon all Members of the Association.

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

ARTICLE XV
MISCELLANEOUS

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

ARTICLE XVI
PARLIAMENTARY RULES

Roberts Rules of Order (latest edition) shall govern the conduct of the proceedings of the Association and the Board of Directors when not in conflict with the Articles of Incorporation, the Declaration, these By-Laws or with the General Statutes of the State of North Carolina.

THE UNDERSIGNED CERTIFIES that the foregoing By-Laws of **VILLAGE AT ELON HOMEOWNERS' ASSOCIATION, INC., a non-profit corporation,** have been adopted as the first by-laws of the Association in accordance with the requirements of the North Carolina Business Corporation Act.

DATED this 2nd day of April, 2008.

Alan D. Allred
ALAN D. ALLRED
Director

TRAVIS SHARPE
Director

[seal]