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DICKIE C WOOD
REGISTER OF DEEDS
By: PATSY RUTH DAVIS DPTY
BK: RE 2686
PG: 3284-3322

Prepared by and return to:
Donald M. VonCannon (Box 8)

DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS FOR
THE ENCLAVE AT FAIR OAKS

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to coordinate, plan and maintain the recreational and common areas which are for the use and benefit of all sub-associations;

WHEREAS, the Declarant has or will cause a portion of the Property to be subdivided into lots for a subdivision known as "The Enclave at Fair Oaks ". The recording of a plat which is labeled "The Enclave at Fair Oaks" and which is a part of the Property or a part of property which may be subjected to this Declaration as permitted by Article II, shall be sufficient action by the Declarant to subject the additional property to the jurisdiction of this Declaration and to become a part of The Enclave at Fair Oaks ;

WHEREAS, Declarant intends to develop The Enclave at Fair Oaks into a high quality, single family residential subdivision. All improvements in the subdivision will be constructed from the highest quality materials and with the highest quality of workmanship to create a unique community. The Declarant will form a homeowners association to enforce and maintain the high quality of The Enclave at Fair Oaks and to maintain certain amenities, which may include, but Declarant is not required to provide, private streets, a gated entranceway, entranceway signage, decorative street lighting, and other common areas and amenities that the Declarant or the homeowners association may provide for the general welfare and recreation of the owners. The Enclave at Fair Oaks Homeowners Association, Inc. will be a sub-association of The Fair Oaks of Forsyth County Owners Master Association, Inc.;

WHEREAS, it is in the best interest of the Declarant, as well as to the benefit, interest and advantage of each and every person or other entity hereafter acquiring any of the said lots, that certain covenants, conditions, easements, assessments, liens and restrictions governing and regulating the use and occupancy of the same be established, fixed, set forth and declared to be covenants running with the land;

WHEREAS, Declarant desires to provide for the preservation of the values and amenities, the desirability and attractiveness of the real property in the development, and the continued maintenance and operation of the common areas as may be provided herein; and

WHEREAS, it is the Declarant's goal to develop The Enclave at Fair Oaks to create an environment for a high quality neighborhood where the residences will maintain a high resale value and will be a desirable place to live. To accomplish this goal, all aspects of the

development of The Enclave at Fair Oaks must be coordinated such that there will be harmony between the architectural design, the landscaping, signage, lighting, and all aspects of the improvements as they fit into the landscape of The Enclave at Fair Oaks. The location, design, and exterior appearance of the residences, landscaping, and other improvements on a Enclave Lot will be made with the intention that the improvements will blend in and accent the image of The Enclave at Fair Oaks. The harmony of the development and the requirement of the highest quality of materials and workmanship for all improvements on the Enclave Lots and common areas will benefit all owners and enhance the value of each owner's Enclave Lot.

NOW, THEREFORE, in consideration of the premises, the Declarant agrees with any and all persons, firms, corporations or other entities hereafter acquiring any of the Property which is a part of The Enclave at Fair Oaks, that the same shall be and is hereby subject to the following restrictions, covenants, conditions, easements, assessments and liens (all hereinafter collectively referred to as "Restrictions") relating to the use and occupancy thereof, said Restrictions are to be construed as covenants running with the land, which shall be binding on all parties having or acquiring any right, title or interest in The Enclave at Fair Oaks or any part thereof, and which shall inure to the benefit of each owner thereof. Every person or other party hereafter acquiring any of the Lots in The Enclave at Fair Oaks, by acceptance of a deed or contract for deed or other conveyance of any interest in or to The Enclave at Fair Oaks, whether or not it shall be so expressed in any such deed, contract for deed or other conveyance, and regardless of whether the same shall be signed by such person and whether or not such person shall otherwise consent in writing, shall take such property interest subject to this Declaration and to the terms and conditions hereof and shall be deemed to have consented to same.

ARTICLE I

Definitions

The following words when used in this Declaration or any supplemental declaration hereto (unless the context clearly prohibits such a meaning) shall have the following meaning:

Section 1. "Amenities" shall mean any facilities constructed, erected, installed or set aside on the Common Areas for the use, benefit and enjoyment of the Enclave Owners as described below.

Section 2. "Architectural Committee" shall mean and refer to the Committee as described in Article VI.

Section 3. "Board of Directors" or "Board" shall mean those persons elected or appointed to act collectively as the directors of the Enclave Association.

Section 4. "By-laws" shall mean the By-laws of the Enclave Association as they now or hereafter exist.

Section 5. "Committee" shall mean and refer to the Architectural Committee as described in Article VI.

Section 6. "Common Area(s)" shall mean and refer to any and all real property subject to this Declaration which is defined and bounded by properly referenced and recorded plat(s) designated thereon as "Common Area(s)," "Open Space," "Common Open Spaces," "Landscape Easement(s)" created by the Declarant to provide landscaping of any area that is set aside for the general use of the Enclave Members. Common Area(s) shall include all real property and easement interests owned by the Enclave Association for the common use and enjoyment of all Enclave Members or designated classes of members of the Enclave Association, which may include, but is not limited to, public or private streets, entranceway, decorative street lights, and entranceway signage. (It is understood that this list of possible amenities is only for descriptive purposes and the Declarant is not obligated to construct any of said amenities.) The term "Common Areas" does not include areas designated as "General Common Areas", or "General Common Open Space" or any other designation on the recorded plat(s) in the office of the Register of Deeds of Forsyth County, North Carolina, which would indicate that the area is for the use of all residents of Fair Oaks, regardless of the type or location of the residential property that the resident of Fair Oaks has, and is owned by the Master Association for the use, benefit and enjoyment of all sub-associations.

Section 7. "Common Expenses" shall mean and refer to any expenses incurred by the Enclave Association for repair, maintenance and upkeep of the Common Area(s) and any

expenses of the Enclave Association which are for the general use of the Enclave Owners, such as but not limited to, landscaping, maintenance of any entrance-way, decorative street lighting if such lighting is installed by the Declarant or the Association, and private streets, if any.

Section 8. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions applicable to The Enclave at Fair Oaks and which is recorded in the Forsyth County Registry.

Section 9. "Declarant" shall mean and refer to FAIR OAKS ASSOCIATES, L.L.C., a North Carolina limited liability company, its successors and assigns.

Section 10. "Enclave Association" shall mean and refer to The Enclave at Fair Oaks Homeowners Association, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina, its successors and assigns.

Section 11. "Enclave Lot" or Enclave Lots", as used herein, shall mean and refer to any plot of land within The Enclave at Fair Oaks, whether or not improvements are constructed thereon, which constitutes or will constitute, after the construction of improvements, a single dwelling site as shown on a plat or plats for The Enclave at Fair Oaks, or amendments thereto, recorded in the Forsyth County Registry. The Common Area is not an Enclave Lot.

Section 12. "Enclave Member" shall mean and refer to any person or other entity who holds membership in the Enclave Association.

Section 13. "Enclave Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee interest in any Enclave Lot in The Enclave at Fair Oaks, excluding, however, those parties having such interest merely as a security interest for the performance of an obligation.

Section 14. "General Common Area(s)" shall mean that real property containing Amenities for the general use of the homeowners in Fair Oaks, regardless of the type of residential property that the homeowner has and regardless of the location of the General Common Areas, since the General Common Area may be located within or without the boundaries of the sub-associations, but such General Common Area shall be designated as such on a recorded plat for the purpose of designating the General Common Area or on the recorded plats of the sub-associations. The General Common Area will be conveyed to the Master Association by the Declarant.

Section 15. "Master Association" shall mean and refer to The Fair Oaks of Forsyth County Owners Master Association, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina, its successors and assigns.

Section 16. "Master Declaration" shall refer to the Declaration of Covenants, Conditions, and Restrictions for The Fair Oaks Of Forsyth County Owners Master Association, Inc. filed of record in the Forsyth County Public Registry to which the sub-association so designated herein and all Enclave Owners thereof shall be subject to.

Section 17. "Person" shall mean and refer to a natural person, as well as a corporation, partnership, firm, association, trust or other legal entity. The use of the masculine pronoun shall include the neuter and feminine, and the use of the singular shall include the plural where the context so requires.

Section 18. "Property" shall mean and refer to all of the land described in the deed to the Declarant recorded in Book 2539, Page 514, Forsyth County Registry, including the property described in all sub-associations and which are subject to this Declaration and any supplementary Declaration or annexation of additional properties permitted under the provisions of Article II hereof.

Section 19. "Residence," "dwelling," or "building" shall mean and refer to any building or portion of a building situated on any Enclave Lot which is designed and intended for use and occupancy as a residence by a single family unit.

Section 20. "Sub-Association" shall mean and refer to the three (3) different residential communities to be developed within the Property known as The Estates at Fair Oaks, The Enclave at Fair Oaks and The Village at Fair Oaks. Each such Sub-Association shall enforce and administer separate declarations of covenants, conditions and restrictions, which reflect the particular type and form of housing development subject thereto.

ARTICLE II

Properties Subject to This Declaration

The property, which is, and shall be held, transferred, sold, conveyed, and occupied subject to this Declaration, is located in the Village of Clemmons, Forsyth County, North

Carolina, and is more particularly described as The Enclave at Fair Oaks subdivision as shown on a recorded or to be recorded plat by the same name.

Without further assent or permit, Declarant hereby reserves the right, exercisable from time to time, to subject other real property to the Use Restrictions set forth herein, in order to extend the scheme of this Declaration to other property to be developed and thereby to bring such additional properties within the jurisdiction of the Enclave Association. Additional property outside the boundaries of the Property may be subjected to the jurisdiction of this Declaration by Declarant so long as such additional properties are contiguous to the Property, and so long as the annexation occurs within thirty (30) years of the date of incorporation of the Enclave Association. The recording of a plat which is labeled "The Enclave at Fair Oaks" and, which is a part of the Property or a part of property which may be subjected to this Declaration as permitted by this Article II, shall be sufficient action by the Declarant to subject the additional property to the jurisdiction of this Declaration and to become a part of The Enclave at Fair Oaks.

ARTICLE III

Enclave Association Membership and Voting Rights

Section 1. Membership.

(A) Every person or entity who is a record owner of a fee or undivided fee interest in any Enclave Lot which is subject by covenants of record to assessment by the Enclave Association shall be a member of the Enclave Association, subject to and bound by the Enclave Association's Articles of Incorporation, By-laws, rules and regulations. The foregoing is not intended to include persons or entities who hold an interest in any Enclave Lot merely as security for the performance of an obligation. Ownership of record of such Enclave Lot shall be the sole qualification for membership. When any Enclave Lot is owned of record in tenancy by the entireties, joint tenancy, or tenancy in common or by some other legal form of multiple ownership, the membership (including the voting power arising therefrom) shall be exercised only as stipulated in Section 2 herein below.

(B) During any period in which a Enclave Member shall be in default in the payment of any annual, special or other periodic assessment levied by the Enclave Association,

the voting rights and right to the use of the Common Areas or any other facilities which the Enclave Association may provide may be suspended by the Board of Directors until such assessment is paid. In the event of violation by an Enclave Member of any rules or regulations established by the Board of Directors, such member's voting and use rights may be suspended by the Board of Directors after a hearing at which the general requirements of due process shall be observed. Such hearing shall only be held by the Board of Directors (or a committee thereof) after giving the Enclave Member ten (10) days prior written notice specifying each alleged violation and setting the time, place and date of the hearing. Determination of violation shall be made by a majority vote of the Board of Directors or a committee thereof.

(C) No membership fee shall be charged, nor shall Enclave Members be required to pay at any time, any amount to carry on the business of the Enclave Association, except to pay when due the charges, assessments and special assessments levied upon each Enclave Member's lot, as specified in the Declaration or as the Enclave Members may from time to time hereafter adopt.

Section 2. Voting and Voting Rights.

(A) The voting rights of the membership shall be appurtenant to the ownership of Enclave Lots. The ownership of each Enclave Lot by a person other than Declarant shall entitle its owner to one vote. The Enclave Association shall have two classes of voting membership:

(1) Class A. Class A members shall be all Enclave Owners, other than Declarant; however, Declarant shall be a Class A member to the extent provided in subparagraph (2) hereinafter. Class A members shall be entitled to one vote for each Enclave Lot owned; and

(2) Class B. The Class B member shall be the Declarant, and it shall be entitled to three (3) votes for each Enclave Lot in which it holds a fee or undivided fee interest; provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(i) Four (4) months after the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, except as provided in sub-paragraph (b) of Section 2 below; or

(ii) On June 1, 2011.

(B) Because the Declarant desires to provide for a stable and orderly management of The Enclave at Fair Oaks and notwithstanding anything in this Section 2 to the contrary, the Declarant shall retain all voting rights for all Enclave Lots in The Enclave at Fair Oaks for a period of five (5) years from the date of closing of the first sale of an Enclave Lot by the Declarant to the first Enclave Owner (hereinafter, the "Period of Declarant Control"). It is the intent of this paragraph that the Declarant will retain the voting rights for all Enclave Lots during the Period of Declarant Control in all Enclave Association matters and shall retain all other management responsibilities of the Enclave Association, including, but not limited to, electing Directors and appointing or populating any committees of the Enclave Association.

At any time during the Period of Declarant Control, the Declarant, in its sole discretion, may release or waive its rights to control of the Enclave Association as provided above, and then and in the event of such waiver, the voting rights of the Enclave Members shall be as stated in sub-paragraph (a) of Section 2 above.

Regardless of whether or not the Declarant controls the Enclave Association as provided above, the Enclave Association's dues will still begin to accrue from the date of closing the purchase of the Enclave Lot by any party other than the Declarant, including, but not limited to, an Enclave Owner, a builder for an Enclave Owner or a builder who is building a residence for sale, as provided in Section 1 of Article V.

(C) When two or more persons hold an interest (other than a leasehold or security interest) in any Enclave Lot, all such persons shall be Enclave Members. The vote for such Enclave Lot shall be exercised by one of such persons as proxy and nominee for all persons holding an interest in an Enclave Lot and in no event shall more than one (1) vote be cast with respect to any Enclave Lot (except with respect to Enclave Lots owned by Declarant), nor shall any fractional vote be cast.

(D) Any Enclave Member who is delinquent in the payment of any charges duly levied by the Enclave Association against an Enclave Lot owned by such Enclave Member

shall not be entitled to vote until all such charges, together with such reasonable penalties as the Board of Directors may impose, have been paid.

(E) Enclave Members shall vote in person or by proxy executed in writing by the Enclave Members. No proxy shall be valid after eleven (11) months from the date of its execution or upon conveyance by the Enclave Member of his or her Enclave Lot. A corporate Enclave Member's vote shall be cast by the President of the member corporation or by any other officer or proxy appointed by the President or designated by the Board of Directors of such corporation, which designation must, if requested by the Enclave Association, be in writing.

(F) Voting on all matters except the election of directors shall be by voice vote or by show of hands, unless a majority of the Enclave Members present at the meeting shall, prior to voting on any matter, demand a ballot vote on that particular matter. Where directors or officers are to be elected by the Enclave Members, the solicitation of proxies for such elections may be conducted by mail.

ARTICLE IV

Common Area Property Rights

Section 1. Use of Common Area. Every Enclave Owner (by virtue of membership in the Enclave Association and the Enclave Association's membership in the Master Association) shall have a nonexclusive right and easement of enjoyment in and to the Common Areas and to the General Common Areas, which shall be appurtenant to and shall pass with the title for every Enclave Lot, subject to the provisions of this Declaration and the Articles of Incorporation and the By-laws of the Enclave Association and the Master Association, and the encumbrances referred to in Section 3 hereof, and the following:

(A) The right of the Enclave Association and Master Association to limit the use of the Common Areas to Enclave Owners, their families and guests;

(B) The right of the Enclave Association to suspend the voting and enjoyment rights of an Enclave Owner for any period during which any dues, charges, assessments (regular or special) against the Enclave Owner's lot remain unpaid, or for any infraction of either associations' published rules and regulations;

(C) The right of the Enclave Association to mortgage, to dedicate or to transfer any part of the Common Areas to any public agency, authority, utility or other entity for such purposes and subject to such conditions as may be agreed to by members of this Enclave Association, as applicable in accordance with the terms and provisions of this Declaration. No such mortgage, dedication or transfer shall be effective unless approved by Enclave Members entitled to cast two-thirds (2/3) of the votes of the Class A membership and two-thirds (2/3) of the votes of the Class B membership, if any, and unless written notice of the proposed action is sent to every Enclave Member not less than thirty (30) days nor more than sixty (60) days in advance of the vote. The instrument effecting such dedication, transfer or conveyance shall be sufficient if it is executed by appropriate officers of the Enclave Association and contains a recital of the approval of the Enclave Members; and

(D) The right of the Enclave Association to formulate, publish and enforce rules and regulations as provided in Article VI, and to formulate, publish and enforce rules and regulations governing the use and activities permitted on or around any areas designated as Common Area.

Section 2. Delegation of Use. The right and easement of enjoyment granted to every Enclave Owner in Section 1 of this Article may be exercised by members of the Enclave Owner's family, and an Enclave Owner may delegate his or her rights of enjoyment in the Common Areas to his or her tenants or contract purchasers who occupy the dwelling of the Enclave Owner within The Enclave at Fair Oaks.

Section 3. Title to the Common Area. The Declarant hereby covenants that it will convey fee simple title to the Common Area shown on the aforementioned recorded plat to the Enclave Association, free and clear of all encumbrances and liens, except utility, and drainage easements and easements to governmental authorities.

Section 4. Parking and Use Regulations for Boats, Trailers, etc. The Enclave Association may regulate the parking on the Common Areas. No boats, trailers, motor homes, recreational vehicles, or trucks shall be parked within the right-of-way of any public or private street in The Enclave at Fair Oaks.

Section 5. Antennas and Satellite Dishes. The Enclave Association may regulate or prohibit the erection of any type of antennas, including, but not limited to, CB, TV, Video, and Short Wave, on any Common Area.

ARTICLE V

Covenants for Maintenance Assessments

Section 1. Annual Assessment for Maintenance Fund. For each Enclave Lot owned within The Enclave at Fair Oaks, the Enclave Owner covenants and agrees, and each subsequent Enclave Owner of any such Enclave Lot covenants and agrees, that by acceptance of a deed therefore, whether or not it is so expressed in such deed, the Enclave Owner will pay to the Enclave Association the assessments and charges provided for in this Declaration, as follows:

- (A) Annual assessments or charges in the amount hereinafter set forth; and
- (B) Special assessments as approved by the Enclave Association to be established and collected as hereinafter provided.

The annual assessment for the Enclave Association, as provided for herein, shall be payable in advance on an annual basis by every Enclave Owner of each Enclave Lot, unless the Enclave Association decides by a majority vote to have the assessment payable quarterly. The annual assessment shall be due as of January 1 of each year, except for the first year of ownership by an Enclave Owner. The annual dues for a particular year may be established later in the year than January 1, but the annual assessment shall be retroactive to January 1 of each year. At the closing of the purchase of an Enclave Lot by a third party other than the Declarant, the assessment shall begin to accrue and the Enclave Owner shall pay to the Enclave Association the Enclave Owner's pro rata share of the annual assessment for the remainder of the year of closing.

Section 2. Purpose of Assessments. The assessments levied by the Enclave Association shall be used to provide funds for such purposes and Common Expenses as are for the benefit of the Enclave Association, the Master Association and the Owners of Enclave Lots within the areas overseen and administered by the Enclave Association and the Master Association, which purposes may include maintenance, replacement, repair, insurance,

landscaping and beautification of the Common Areas and General Common Areas, which shall specifically include (i) the payment of electric bills for decorative street lighting, whether or not such lighting is installed in the Common Area or along or in the public or private streets, (ii) the maintenance, repair and replacement of the private streets, if any, including a reserve fund for such purposes, (iii) the maintenance, repair and replacement of entrance and cul-de-sac landscaping, including a reserve fund for such purpose, and (iv) landscaping at the entrance of the Enclave Lots and in any cul-de-sacs. Funds may also be used to pay Common Expenses which provide other services to promote the health, safety and welfare of the residents of the community and in particular for the acquisition, improvement and maintenance of the properties, services and facilities related to the use and enjoyment of the Common Areas and General Common Areas, including, but not limited to the cost of repair, replacement and additions thereto; the cost of labor, equipment, materials, management and supervision thereof; the payment of taxes assessed against Common Areas and General Common Areas and the requirements of the Master Declaration; the procurement and maintenance of insurance; the employment of attorneys, accountants and other professionals to represent the Enclave Association when necessary or useful; the employment of security personnel to provide any service which is not readily available from any governmental authority; and such other needs as may arise. Any additional uses of and purposes for assessments may be adopted by an amendment to this Declaration, as provided in Article X herein.

Section 3. Creation of the Lien and Personal Obligation of Assessment. In accordance with the terms and provisions hereof, and in order to secure payment at and after the due date, as each assessment becomes due, there shall arise a continuing lien and charge against each Enclave Lot, the amount of which shall include costs and reasonable attorneys' fees to the extent permissible by law. Each such assessment, together with such interest, cost and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Enclave Owner of such Enclave Lot at the time when the assessment fell due.

Section 4. Exempt Property. The assessments, charges and liens created under this Article V shall not apply to the Common Areas, nor shall they apply to any Enclave Lot the title to which is vested either in any first mortgagee subsequent to foreclosure; provided, however, that upon the resale of such Enclave Lot by such first mortgagee, the assessment herein provided

shall again commence and accrue and shall be fully applicable to such Enclave Lot upon the conveyance to any subsequent Enclave Owner. Any Enclave Lot which Declarant may hereafter designate for common use, either temporarily or permanently, as part of the Common Areas or otherwise, shall be exempt from the assessments and charges created herein. In addition, other than land and improvements devoted to dwelling use, all property dedicated to and accepted by a local public authority shall be exempt from the assessments, charges and liens created hereby.

Section 5. Annual Maintenance Assessments and Maximums.

(A) The annual maintenance assessment imposed by the Enclave Association, which shall include the annual maintenance assessment by the Master Association, shall be set each year by the Enclave Association as set forth herein.

(B) In establishing the annual assessment for any year, the Board of Directors shall consider all current costs and Common Expenses of the Enclave Association, any accrued debts, and reserves for future needs.

(C) Notwithstanding anything in this Article V to the contrary, Declarant shall not be required to pay any dues or assessments, special or otherwise.

Section 6. Special Assessments.

In addition to the annual assessment imposed by the Enclave Association set forth above, the Enclave Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any capital improvement, the cost of any repairs or replacement of any capital improvement, and the cost of repairs or replacement of any improvement on the Common Areas, and the paving on the private streets and private easements, if any, created by the Declarant to provide access to more than one Enclave Lot. Any such assessment shall have the consent of fifty-one percent (51%) of the votes of all Enclave Owners of Enclave Lots not owned by the Declarant, at a meeting duly called for this purpose, written notice of which shall be sent to all Enclave Members in accordance with the provisions of the By-Laws for special meetings of the Enclave Association. Any special assessment passed by the Enclave Members shall not apply to the Declarant.

Section 7. Date of Commencement of Annual Assessment Due Dates; Certificate of Payment.

(A) The annual assessments provided for herein for the Enclave Association shall be payable as of January 1 of each year. The assessment shall begin to accrue as to an Enclave Lot at the time of closing and conveyance of an Enclave Lot to any party other than the Declarant. During the first quarter of each year, the Board of Directors shall establish the amount of the annual assessment imposed by the Enclave Association against each Enclave Lot, which assessment shall be retroactive to January 1 of that year. In the event the Board of Directors elects not to fix such assessment rate as herein provided, the amount of the prior year's annual assessment shall be the fixed amount. Written notice of any changed assessment rate shall be sent to every Enclave Owner by the Enclave Association.

(B) The Enclave Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Enclave Association setting forth whether the assessments imposed by the Enclave Association (whether annual or special) on a specified Enclave Lot have been paid to date.

Section 8. Effect of Nonpayment of Assessment; Remedies of the Enclave Association. Any assessment, including any assessment by the Master Association, not paid within thirty (30) days after the due date shall bear interest from the due date at the maximum legal rate and to the extent allowed by law. The Board may, in its sole discretion, waive the interest charge for extenuating circumstances. The Enclave Association or its agents or representatives, may bring an action at law against the Enclave Owner personally obligated to pay the same or foreclose the lien against the Enclave Lot to which the assessment relates, and interest, costs and reasonable attorneys' fees for such action or foreclosure shall be added to the amount of such assessment to the extent allowed by law. No Enclave Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of any of the Common Areas or abandonment of his or her Enclave Lot.

Section 9. Subordination of the Lien to Ad Valorem Taxes and Mortgages. The liens provided for herein on any Enclave Lot shall be subordinate to the lien of ad valorem taxes and subordinate to the lien of any first or second deed of trust (sometimes hereinafter called "mortgage") on any Enclave Lot, if such assessments have a due date on or after the date such mortgage is filed for record. The lien and permanent charge hereby subordinated is only such lien and charge as relates to assessments authorized hereunder, having a due date subsequent to

the date such mortgage is filed of record and prior to the satisfaction, cancellation or foreclosure of such mortgage or the sale or transfer of the mortgaged property pursuant to any proceeding in lieu of foreclosure or the sale or transfer of the mortgaged property pursuant to a sale under power contained in such mortgage. Sale or transfer of any Enclave Lot to a new Enclave Owner shall not affect any assessment lien, unless the sale or transfer of the Enclave Lot is pursuant to a foreclosure or under a power of sale or any proceeding in lieu of foreclosure, and in that event, shall extinguish the lien of such assessment as to payments which became due after the date of recording the deed of trust but prior to such sale or transfer, but the Enclave Association shall have a lien upon the proceeds from foreclosure or of sale junior only to the said foreclosed mortgage and the equity of redemption of the mortgagor or trustor. No sale or transfer shall relieve such Enclave Lot from liability for any assessment thereafter becoming due or from the lien thereof.

Section 10. Collection of Assessments. The Enclave Association shall promptly collect all assessments due from Enclave Owners pursuant to the terms and provisions hereof, including the assessments for the Master Association.

ARTICLE VI

Architectural Control, Inspection and Use Restrictions

Declarant shall have the responsibility of enforcing the restrictions set forth in this Article prior to the formation of the Committee which, upon appointment by the Directors, shall assume and be responsible for enforcement of these restrictions. References in this Article to "Committee" shall mean "Declarant" until the Committee is appointed by the Directors and references to "Declarant" shall mean "Committee" once it is appointed by the Declarant. The following architectural restrictions shall apply to each and every Enclave Lot now or hereafter subject to this Declaration.

Section 1. Approval of Plans and Architectural Committee.

(A) No site preparation or initial construction, erection, or installation of any improvements, including, but not limited to, dwellings, outbuildings, landscaping, fences, walls, signs, antennas, mailboxes, post lamps, and other structures, shall be undertaken upon the

Enclave Lots, unless the plans and specifications therefore showing the nature, kind, shape, height, materials, color and location of the proposed improvements on the Enclave Lot, including, but not limited to, the residence, decks, garage, driveway, parking areas and any other permanent structures or changes to be made to the Enclave Lot, shall have been submitted to the Committee and expressly approved by the Committee in writing. No subsequent alteration or modification which will result in an exterior, structural change to the dwelling, outbuilding, or significant changes to the landscaping may be undertaken on any of the Enclave Lots without the prior review and express written approval of the Committee.

(B) In the event that the Committee fails to approve or disapprove the site or design of any proposed improvements within sixty (60) days after plans and specifications therefore have been submitted and received, approval will not be required, and the requirements of this Article will be deemed to have been fully met; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Committee if they contain erroneous data or fail to present adequate information upon which the Committee can arrive at a decision.

(C) For purposes of Section 1, subparagraph (b) above, and for so long as the Declarant constitutes the Committee, the plans and specifications will not be deemed to have been "received" unless the Declarant acknowledges in writing such receipt or, in the alternative, the plans and specifications are sent by certified or registered mail to the Declarant, and a return receipt is received acknowledging the receipt thereof.

(D) The Committee shall have the right, at its election, to enter upon the Enclave Lots during site preparation or construction, erection or installation of improvements to inspect the work being undertaken and to determine that such work is being performed in conformity with the approved plans and specifications and in a good and workman-like manner, utilizing standard industry methods and good quality materials.

(E) The approval of any such plans, specifications or other items submitted to the Committee, pursuant to this Article VI, shall not impose any liability or responsibility on the Committee or the Enclave Association with respect to either the compliance or non-compliance of any such plans, specifications or other items (including any improvements or structures erected in accordance therewith) with applicable zoning ordinances, building codes or other

governmental or quasi-governmental laws, ordinances, rules and regulations from defects in or arising from such plans, specifications or other items (including, without limitation, defects relating to engineering matters, structural and design matters and the quality or suitability of materials).

(F) For so long as Declarant owns an Enclave Lot in The Enclave at Fair Oaks, or until such time as the Declarant notifies the Board of Directors in writing of its desire to have the Directors to appoint the members of the Committee, the Declarant shall serve as the Committee, and shall exercise the authority to approve plans and other matters set forth in this Article. After Declarant divests itself of all Enclave Lots within The Enclave at Fair Oaks, or waives the Period of Declarant Control, the Committee shall be appointed by the Directors.

(G) The Declarant shall be solely responsible for the initial installation of the landscaping of the Common Area and any Landscaping Easement area. Once said landscaping is installed, the care and maintenance of the landscaping of the Common Area and Landscape Easement area shall be a common expense and the responsibility of the Enclave Association.

Section 2. Rules and Regulations. The Board of Directors shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Areas. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions, which shall be maintained in a place convenient to the Enclave Owners and available to them for inspection during normal business hours.

Section 3. Use Restrictions.

(A) All structures must be built to comply substantially with the plans and specifications as approved by the Committee, and before any residence may be occupied, it must be completely finished and a certificate of completion must have been issued by the local or state authority empowered to do so. Once construction has commenced on an Enclave Lot, construction shall be diligently and continuously pursued and shall be completed within twelve (12) months from the date of commencement of construction.

(B) All Enclave Lots shall be used for single-family, residential use only. No building shall be erected, altered, placed or permitted to remain on any Enclave Lot, other than a

detached, single family dwelling, not to exceed two (2) stories in height (exclusive of finished attic space) and a private garage for not more than five (5) automobiles. Any additional building or out buildings which an Enclave Owner wants to construct on an Enclave Lot must be approved in writing by the Committee.

(C) No building shall be built, erected or used on an Enclave Lot unless it contains living area of at least 2,200 square feet of floor space if the structure is a one-story building. A one and one-half story residence shall have a minimum of 2,800 square feet; a two story residence shall have a minimum of 3,000 square feet. No split level or split foyer shall be permitted. The living area floor space herein referred to shall be exclusive of garages, porches, breezeways, terraces and basement areas. Said measurements are to be measured from the outside wall lines. With written approval of Declarant, a portion of the living space required to comply with the limitations of this paragraph may remain unfinished.

(D) Main level garages, but not basement level garages, may face either the street on which the residence faces or a side street, and may be attached to, detached from or built within a residence. Carports shall have a solid or semisolid wall on the street side. Each Enclave Owner must also provide on the Enclave Lot at least two additional parking spaces (which may be on the driveway), not necessarily covered, for off-street parking. If a garage faces a street, the garage door must remain closed except when a vehicle is entering or exiting the garage.

(E) No permanent structures shall be erected having exposed exterior walls of concrete blocks, and all driveways must be paved with either concrete, asphalt, stone or brick pavers.

(F) The Enclave Lots which are subject to this Declaration shall not be subdivided, except that two (2) Enclave Lot owners may subdivide an Enclave Lot between them, but only one residence shall be built on the combined original Enclave Lot and subdivided portion of any Enclave Lot.

(G) Front, side and rear yard property lines shall be as required by applicable zoning.

(H) No business, profession, professional clinic or other trade or business activity shall be carried on upon any Enclave Lot or in any building erected thereon, except an

Enclave Lot owner may use one room of the residence as a home office; provided: (i) there is nothing visible from outside the residence to indicate a room is being used as an office, (ii) there are no business clients or members of the general public coming to the residence because of the business being conducted in the residence, and (iii) there is nothing being done in the residence which may be or may become an annoyance or nuisance to the neighborhood.

(I) No trailer, basement, tent, shack, garage, barn or other outbuilding erected on the Enclave Lots shall be used at any time as a residence, temporarily or permanently, nor shall any structure of any temporary character be used as a residence, except this restriction shall not apply to finished room or rooms which are a part of a garage. This restriction shall not apply to construction trailers used during the construction of improvements on the Enclave Lot.

(J) No stable, barn, or out building shall be erected or allowed to remain on any Enclave Lot for domestic animals. No animals, livestock or poultry of any kind shall be raised, bred, pastured or maintained on any Enclave Lot, except standard household pets which may be kept thereon in reasonable number as pets for the sole pleasure and purpose of the occupants but not for any commercial use or breeding purpose. Any standard household pets which are permitted by this paragraph shall be kept primarily within the residence and shall not be housed outside of the dwelling. No housing, cages or enclosures shall be located on any Enclave Lot for purposes of housing or restraining such pets. No pets shall be permitted in or upon the Common Area unless restrained by a leash. The walking of any pets on streets, Common Areas or Enclave Lots belonging to others for the purposes of allowing pets to relieve themselves of bodily wastes is prohibited, and each pet owner is responsible for retrieving any excrement deposited by his or her pet in the event of unintentional depositing of such waste.

(K) No property in the subdivision shall be used for the sale of any items, including automobiles, nor shall inoperable automobiles, automobiles which are not used on a regular basis, or other debris, trash or storage items be allowed to accumulate or to remain on any Enclave Lot of the subdivision.

(L) Declarant reserves an easement for, and the right at any time in the future to grant, rights-of-way for the installation and maintenance of public utilities across, on or under any Enclave Lot along the front, rear and side property lines, but such rights-of-way must be

used so as to interfere as little as possible with the use of the Enclave Lot by its Enclave Owner. Further, there is reserved on behalf of Declarant and the standard utility companies for electricity, telephone, cable, natural gas, and any other standard utility company which has been approved by the Committee, an easement to enter upon the premises to maintain, repair, or modify existing or future underground facilities, and the Enclave Owners, or their successors in title to said Enclave Lots, shall in no way interfere with said facilities, or dig up, cut or tamper with said facilities, except at their own peril and in violation of the rights of said utility companies. No public utility company or governmental entity or agency shall obtain any right in the easement reserved herein without an express written and recorded grant thereof by Declarant. In the event The Enclave at Fair Oaks, which is the subject to this Declaration, is served by any underground public utility facilities, the service to structures erected thereon shall be connected to the underground facility at the pedestals provided for this purpose.

(M) Decorative fencing of good quality may be erected, but the quality, style, color, and location of said fencing must be approved by the Committee. Fencing must be maintained in a good state of repair.

(N) No communications or television receiving dish, antenna or similar item may be erected or placed on any Enclave Lot or on any building on any Enclave Lot, except a satellite dish of less than one (1) meter in diameter. Before installing a satellite dish of less than one (1) meter in diameter, the Enclave Lot owner must make a good faith effort to locate the dish in the rear yard area and screen the dish such that the dish is not visible from any other Enclave Lot, the street or any Common Area. The location and screening for the dish must be approved by the Committee.

(O) Incinerators for garbage, trash or other refuse shall not be used or permitted to be erected or placed on any Enclave Lot. Any and all equipment, coolers, woodpiles, garbage cans, refuse or storage piles placed on an Enclave Lot (whether temporary or permanent) shall be screened to conceal same from the view of adjoining Enclave Lots, roads, streets, or Common Areas. Plans for all screens, walls and enclosures must be approved by the Committee prior to construction.

(P) No leaves, trash, garbage or other similar debris shall be burned except as permitted by the appropriate governmental authority. No garbage, trash, construction debris or

other unsightly or offensive materials shall be placed upon any portion of an Enclave Lot, except as is temporary and incidental to the bona fide improvement of any portion of an Enclave Lot.

(Q) No lumber, brick, stone, cinder block, concrete or other building materials, scaffolding, mechanical devices or any other thing used for building purposes shall be stored on any Enclave Lot, except for the purpose of construction on such Enclave Lot or for the purpose of staging materials for construction of improvements on other Enclave Lots if the Declarant designates certain Enclave Lots as staging areas for such construction materials. In either event, such materials shall not be stored on the Enclave Lot for longer than the length of time reasonably necessary for completion of the improvement(s) in which same is to be used.

(R) No exposed above-ground tanks will be permitted for storage of fuel or water or any other substance.

(S) No Enclave Owner shall excavate or extract earth from any of the Enclave Lots subject to this Declaration for any business or commercial purpose. No elevation changes shall be permitted which materially affect surface grade of surrounding Enclave Lots.

(T) No outside toilet facility may be constructed or maintained on any Enclave Lot, except during construction of improvements on any Enclave Lot.

(U) Outside clotheslines and other such clothes-handling devices will not be permitted.

(V) Each Enclave Owner, at its expense, shall install the initial mailbox for each Enclave Lot, as approved by the Declarant. All future mailboxes must be of the same design, construction and color and in the same location unless the changes in design or location are approved by the Committee.

(W) No sign of any kind whatsoever shall be erected upon or displayed or otherwise exposed to view on any Enclave Lot or any improvement thereon outside the residence without the prior written consent of the Committee, except during the period of construction. Prior to the sale of an Enclave Lot containing a residence, the following signs shall be permitted: the Declarant's signs, the initial builder's sign of no more than 9 square feet of surface space (no subcontractor's signs shall be allowed), and real estate signs approved by the Declarant. After the sale of an Enclave Lot by the initial builder or the completion of construction of a residence,

only customary real estate broker signs shall be allowed on an Enclave Lot, and such signs must be removed within twenty-four (24) hours of the closing of the sale of the Enclave Lot.

(X) No house trailer, boat, boat trailer, camper, trailer, vessel, motorcycle or other recreational vehicle shall be permitted on any Enclave Lot unless such trailer, boat, camper, motorcycle or other vehicle is kept within the garage with the garage door closed and not visible from any adjoining Enclave Lot or Lots, streets and Common Areas. It is the intention of this restriction to prevent the parking of any vehicles in the parking area of the Enclave Lot other than the Enclave Owner's or the Enclave Owner's invitees' passenger automobiles and pickup trucks. No vehicle which contains any commercial printing or signs on the vehicle may be parked on an Enclave Lot unless it is either parked within a closed garage or is temporarily parked on the Enclave Lot by an invitee of the Enclave Owner.

(Y) All motorized vehicles operating on any Enclave Lot, Common Area and streets of The Enclave at Fair Oaks must have proper mufflers so as to eliminate noise which might be offensive to others. Minibikes and similar two, three, or four-wheeled vehicles are prohibited from being used or operated on or within The Enclave at Fair Oaks, unless the prior written consent of the Committee is first secured.

(Z) No temporary structure or storage building shall be permitted on any Enclave Lot unless screened from view of adjoining Enclave Lots, streets and Common Areas; provided, however, temporary buildings and other structures shall be permitted during the construction period of the dwellings or as temporary real estate sales offices for the sale of Enclave Lots. No garage, outbuilding or other appurtenant structure shall be used for residential purposes, either temporary or permanently, except for a finished room or rooms which are a part of the attached garage, without the written consent of the Committee.

(AA) Trees may be removed, when necessary, for the construction of driveways and dwellings or if located within six (6) feet of the foundation of the dwelling or garage or swimming pool. All other trees over six (6) inches in diameter measured eighteen (18) inches from the surface of the ground shall be retained unless their existence creates a hazard to the property.

(BB) The use restrictions set forth in this Section 3 listing those items which may not be maintained on an Enclave Lot shall not apply to Enclave Lots during the period of

construction of the dwelling unit upon the Enclave Lots. As soon as a dwelling unit has been completed on an Enclave Lot, these use restrictions shall immediately apply to the Enclave Lot.

Section 4. Hobbies and Activities. The pursuit of hobbies or other inherently dangerous or unsightly activities on an Enclave Lot, including, but without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly or unkempt conditions, and the shooting of firearms, fireworks or pyrotechnic devices of any type or size are forbidden. Any such activities shall not be pursued or undertaken on any part of any Enclave Lot or the Common Areas without the consent of the Board of Directors.

Section 5. Nuisances and Unsightly Materials. Each Enclave Owner shall refrain from any act on or use of his or her Enclave Lot which could reasonably cause embarrassment, discomfort, annoyance or nuisance to the neighborhood. No noxious, offensive or illegal activity shall be carried on upon any Enclave Lot. No Enclave Lot shall be used in whole or in part for storage of rubbish of any character whatsoever; nor shall any substance, thing or material be kept upon any Enclave Lot which will emit foul or noxious odors or that will cause any noise that will or might disturb the peace and quiet of the occupants of surrounding property. No trash, rubbish, stored materials, wrecked or inoperable vehicles or similar unsightly items shall be allowed to remain on any Enclave Lot outside an enclosed, covered structure. However, the foregoing shall not be construed to prohibit temporary deposits of trash, rubbish and other debris for pickup by garbage and trash removal service units. Each Enclave Owner shall maintain the improvements on the Enclave Lot in a neat and orderly manner. In the event any Enclave Owner of any Enclave Lot fails or refuses to maintain the improvements on the Enclave Lot in a neat and orderly manner or to keep the Enclave Lot from accumulating any of the foregoing unsightly items, weeds or underbrush, the Enclave Association may, at its option, ten (10) days after posting a notice thereon or mailing a notice to said Enclave Owner at his or her property address requesting an Enclave Owner to comply with the requirements of this Section, enter and remove all such unsightly items and growth at said Enclave Owner's expense, and the Enclave Owner shall be personally liable to the Enclave Association for the costs of removal or maintenance, plus a supervision fee equal to \$200.00 or 25% of the applicable costs, whichever

is greater, and the costs, until paid, shall be a permanent charge and lien upon such Enclave Lot enforceable to the same extent and collectible as provided for in Article V, entitled "Covenants for Maintenance Assessments." By acquiring property subject to these restrictions, each and every Enclave Owner agrees to pay such costs promptly upon demand by the Enclave Association, its agents, assigns, or representatives. No such entry as provided in this Section shall be deemed a trespass. The provisions of this Section shall not apply to Enclave Lots upon which residences are under construction.

Section 6. Governmental Regulations. Each Enclave Owner shall observe all governmental building codes, health regulations, zoning restrictions and other regulations applicable to his or her Enclave Lot. In the event of any conflict between any provision of any such governmental code, regulation or restriction and any provision of this Declaration, the more restrictive provision shall apply.

Section 7. Other Prohibitions or Requirements.

(A) No vent or other pipes or appendages may extend from the front of any dwelling, unless screened from public view by a screening material or shrubbery approved by the Committee.

(B) Any exterior air-conditioning or heating equipment must be screened from public view by a screening material or shrubbery approved by the Committee.

(C) Downspouts and gutters must be so constructed so as not to promote the erosion of the soil of any Enclave Lot, including but not limited to the adjacent Enclave Lots.

(D) Any tennis courts, swimming pools, or other outdoor recreational facilities located on any Enclave Lot must be screened from public view by a screening material approved by the Committee; moreover, any outdoor lighting must be shielded so as to cast no direct light upon adjacent Enclave Lots.

(E) As soon as possible, but no later than the issuance of a certificate of occupancy for a residence on an Enclave Lot, the Enclave Owner of the Enclave Lot, at a minimum, must immediately sow grass seed over all areas that are not natural areas to control erosion. The final grading and installation of the landscaping must be completed within three (3) months of the issuance of the certificate of occupancy and must be supervised by the initial builder or owner.

(F) The Enclave Association reserves the right to impose reasonable rules and regulations that pertain to the treatment of wildlife within the Common Area.

ARTICLE VII

Easements

Section 1. Walks, Drives, Parking Areas and Utilities. All of the properties shown in any plats of the Enclave at Fair Oaks, including Enclave Lots and Common Areas, shall be subject to such easements for public or private streets, driveways, walkways, parking areas, water lines, sanitary sewer lines, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines, and other public utilities as shall be established prior to subjecting the properties to this Declaration by the Declarant or its predecessors in title. The Enclave Association shall have the power and authority to grant and to establish in, over, upon, and across the Common Areas conveyed to it such further easements as are requisite for the convenient use and enjoyment of the properties.

Section 2. Landscape Easement. The Declarant may reserve on any recorded plat of The Enclave at Fair Oaks a Landscape Easement over certain of the Enclave Lots for purposes of drainage, access, construction and maintenance of berms or other landscaping. The maintenance, repair and replacement of the landscaping within the Landscape Easement will be the sole expense of the Enclave Association. Enclave Lot owners whose Enclave Lots are affected by the Landscape Easement will take no action to change, interfere with or prohibit the landscaping within the Landscape Easement.

Section 3. Utilities and Drainage. All utility lines of every type, including, but not limited to, water, electricity, natural gas, telephone, sewage and television cables, running from the main trunk line or service locations must be underground. The Developer reserves unto itself, its successors and assigns, a perpetual, alienable and releasable easement and right on, across, over and under the ground to erect, maintain, replace and use water, sewer, electric and telephone systems, wires, cables, and conduits for the purpose of bringing public services, including cable television service, to the Enclave Lots and Common Areas, and said easement is to be located (i) within ten (10) feet of each lot line fronting on a street and twenty (20) feet

along the rear line of each Enclave Lot, (ii) within the rights of way of any street or road shown on any recorded plat(s) of The Enclave at Fair Oaks, (iii) within ten (10) feet of each side line of each Enclave Lot, and (iv) such other areas as are shown on any recorded plats of The Enclave at Fair Oaks; provided further, that the Declarant or Enclave Association may cut, at its own expense, drainways for surface water wherever and whenever such action is reasonably required in order to maintain reasonable standards of health, safety and appearance. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, take or add any soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation or to maintain reasonable standards of health, safety and appearance.

Section 4. Emergency. There is hereby reserved without further assent or permit, a general easement to all policemen and security guards employed by Declarant or the Enclave Association, firemen, ambulance personnel and all similar persons to enter upon the Property, and specifically over any private streets, if any, or any property or portion thereof which is now or hereafter made subject to this Declaration, in the performance of their respective duties.

ARTICLE VIII

Insurance

Section 1. Fidelity Insurance Coverage. As a part of the common administration expense of the Enclave Association, the Enclave Association may provide for fidelity coverage against dishonest acts on the part of the officers, directors, management, contractor, employees or volunteers responsible for handling funds belonging to or administered by the Enclave Association at the discretion of the Board of Directors. The fidelity bond or insurance must name the Enclave Association as the named insured and shall be written in an amount set by the Enclave Association. In connection with such coverage, an appropriate endorsement to the policy to cover any person or persons who serve without compensation shall be added if the policy would not otherwise cover volunteers. If requested by an Enclave Owner or mortgagee, such policies shall additionally provide that the policies cannot be canceled by either the insured or the insurance company until after ten (10) days prior written notice to all who have requested such notice.

Section 2. Other Insurance. The Board of Directors may purchase and maintain in force as a common expense, liability insurance (including liability insurance for the Board members), debris removal insurance, plate glass or other glass insurance, fidelity bonds and other insurance or bonds that it deems necessary. The Board of Directors shall purchase and maintain workmen's compensation insurance to the extent that the same shall be required by law respecting employees of the Enclave Association.

ARTICLE IX

Rights of Institutional Lenders

Section 1. Amendments. The prior written approval of each institutional holder of a first deed of trust on Enclave Lots will be required for any material amendment to the Declaration or to the By-laws of the Enclave Association which affects the rights of such holders.

Section 2. Professional Management. As a part of the common administration expense of the Enclave Association, the Declarant reserves the right to select professional management of the Enclave Association for the period during which Declarant maintains voting control of the Enclave Association. Declarant is not required to engage professional management, but may, if Declarant so desires. Following the transfer of voting control to the Enclave Owners pursuant to Article III, the Enclave Owners may vote either to engage professional management for the Enclave Association, or to self manage the Enclave Association. Any contract for professional management shall provide that the Enclave Association may terminate said contract on the giving of not less than ninety (90) days notice.

Section 3. Inspection and Notice. Upon written request, any institution holder of a first lien on an Enclave Lot will be entitled to:

(A) inspect the books and records of the Enclave Association during normal business hours; and

(B) receive an annual financial statement of the Enclave Association within ninety (90) days following the end of any fiscal year; and

(C) written notice of all meetings of the Enclave Association and shall be permitted to designate a representative to attend all such meetings; and

(D) written notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Enclave Association; and

(E) written notice of any proposed action that requires the consent of a specified percentage of mortgage holders; and

(F) written notice of any sixty (60) day delinquency in the payment of assessments or charges owed by the Enclave Owner of any Enclave Lot on which it holds the mortgage.

Section 4. Condemnation or Default.

(A) If any Enclave Lot or portion thereof or the Common Area or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institutional holder of any mortgage on an Enclave Lot will be entitled to timely written notice of any such proceeding or proposed acquisition.

(B) The holder of a mortgage on any Enclave Lot shall be given prompt written notice of any default in the mortgagor's obligations hereunder which are not cured within sixty (60) days of said default; provided that, the holder shall have given written notice to the Enclave Association that it is a holder as to the Enclave Lot of such mortgagor and shall have requested the notice of default as herein set forth.

ARTICLE X

General Provisions

Section 1. Duration. The foregoing restrictions shall be construed to be covenants running with the land and shall be binding and effective for thirty (30) years from the date of recording, at which time they shall be automatically extended for successive periods of ten (10) years each unless it is agreed by the vote of a two-thirds (2/3) vote of the then Enclave Owners of the above-described property to change, amend or revoke the restrictions in whole or in part. Every purchaser, owner or subsequent grantee of any interest in any property now or hereafter made subject to this Declaration, by acceptance of a deed or other conveyance therefor, thereby

agrees that the covenants and restrictions of this Declaration may be extended as provided in this Article.

Section 2. Amendment. This Declaration may be amended unilaterally at any time and from time to time by Declarant (i) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, or regulation or judicial determination which shall be in conflict therewith; or (ii) if such amendment is necessary to enable any reputable title insurance company to issue title insurance coverage with respect to the Enclave Lots subject to this Declaration; or (iii) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the Enclave Lots subject to this Declaration; or (iv) if such amendment is necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Enclave Lots subject to this Declaration; provided, however, any such amendment shall not adversely affect the title to any Enclave Owner's Enclave Lot unless any such Enclave Lot owner shall consent thereto in writing. Further, during the Period of Declarant Control or for the period of thirty (30) years from the date of incorporation of the Enclave Association, which ever is longer, the Declarant may unilaterally amend this Declaration for any other purpose so long as said amendment is not inconsistent with the common plan or scheme of development; provided, however, any such amendment shall not materially or adversely affect the substantive rights of any Enclave Lot owner hereunder, nor shall it materially or adversely affect title to any Enclave Lot without the consent of the affected Enclave Lot owner.

In addition to the above, this Declaration may be amended upon the affirmative vote or written consent, or any combination thereof, of at least seventy percent (70%) of the Enclave Owners during the first thirty (30) year period and of at least sixty percent (60%) of the Enclave Owners thereafter, and with the consent of the Declarant, so long as Declarant is a Class B member of the Enclave Association as provided in Article III.

Every purchaser or subsequent grantee of any interest in any property now or hereafter made subject to this Declaration by acceptance of a deed or other conveyance therefor, hereby

agrees that the covenants and restrictions of this Declaration may be amended as provided in this Article. Amendments as used in this Article X shall not mean the addition of properties as provided in Article II.

Section 3. Procedure for Certification and Recordation of Amendment. Any instrument amending these covenants, conditions, and restrictions (other than a permitted unilateral amendment by the Declarant, or an amendment by the Board of Directors to correct an error or inconsistency in drafting, typing or reproduction) shall be delivered, following approval by the owners, to the Board of Directors. Thereupon, the Board of Directors shall, within thirty (30) days after delivery, do the following:

(a) Reasonably assure itself that the amendment has been approved by the Enclave Owners of the required number of Enclave Lots as provided in Section 2 of this Article. (For this purpose, the Board may rely on its roster of members and shall not be required to cause any title to any Enclave Lot to be examined);

(b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Enclave Association in the same manner that deeds are executed; and

(c) Immediately, and within the thirty (30) day period aforesaid, cause the amendment to be executed by the Enclave Association's officers in the same manner that deeds are executed, and recorded in the Forsyth County Registry.

All amendments shall be effective from the date of recordation in the Forsyth County Registry, unless a later effective date is specified therein. When any instrument purporting to amend the covenants, conditions and restrictions has been certified by the Board of Directors, recorded and indexed as provided by this Section, it shall be conclusively presumed that such instrument constitutes a valid amendment as to the Enclave Owners of all Enclave Lots in this development.

Section 4. Enforcement. If any person, firm or corporation shall violate or attempt to violate any of these Restrictions, it shall be lawful for the Enclave Association or for any other person, firm or corporation owning any property to bring an action against the violating party at law or in equity for any claim which these restrictions may create in such other Enclave Owner or interested party either to prevent said person, firm or corporation from so doing such acts or to

recover damages for such violation. The violating party shall be responsible for all costs and attorneys' fees incurred by the Enclave Association or such other Enclave Owner in such action. Any failure by the Enclave Association or any Enclave Owner to enforce any of said covenants and restrictions or other provisions shall in no event be deemed a waiver of the right to do so thereafter. Invalidation of any one or more of these Restrictions by judgment or court order shall neither affect any of the provisions not expressly held to be void nor the provisions so voided in circumstances or application other than those expressly invalidated, and all such remaining provisions shall remain in full force and effect together with the provisions ruled upon as they apply to circumstances other than those expressly invalidated.

Section 5. Delegation and Assignability. Declarant shall at all times and from time to time have the right to delegate any and all functions herein reserved to Declarant. Further, notwithstanding any other provision contained herein to the contrary, Declarant shall have the right at all times and from time to time to fully transfer, convey and assign all or any part of its right, title and interest (whether real or personal) in and to Common Areas; provided, however, that any transferee, grantee or assignee shall be deemed to have assumed the same, in the event of any such sale, transfer or conveyance, subject to the terms and conditions of this Declaration. Declarant shall not, however, be liable to any person for any injury or loss resulting from failure of performance or negligent performance of Declarant's obligations under these covenants arising after such sale, transfer or conveyance.

Section 6. Conflicts. In the event of any irreconcilable conflict between the Declaration and the By-laws of the Enclave Association, the provisions of this declaration shall control. In the event of any irreconcilable conflict between this Declaration or the By-laws of the Enclave Association and the Articles of Incorporation of the Enclave Association, the provisions of the Articles of Incorporation shall control.

Section 7. Headings and Binding Effect. Headings are inserted only for convenience and are in no way to be construed as defining, limiting, extending or otherwise modifying the particular sections to which they refer. The covenants, agreements and rights set forth herein shall be binding upon and inure to the benefit of the respective heirs, executors, successors and assigns of the Declarant and all persons claiming by, through and or under Declarant.

Section 8. Unintentional Violation of Restrictions. In the event of an unintentional or minor violation of any of the foregoing restrictions with respect to any Enclave Lot, the Declarant or its successors reserves the right (by and with the mutual written consent of the Enclave Owner or Enclave Owners of such Enclave Lot) to change, amend, or release any of the foregoing restrictions as the same may apply to that particular Enclave Lot.

Section 9. Professional Management. In the event that the Enclave Association becomes insolvent or for any reason whatsoever loses the ownership of any of the General Common Areas, the Enclave Owners of Enclave Lots having an interest in such General Common Areas or any Single Family Member of the Enclave Association may, at their election as determined by majority vote of those affected, form a nonprofit corporation as provided in the Articles and Bylaws of the Enclave Association and assign to it the duty and authority to assess on a per lot basis all Enclave Lots having an interest in such General Common Areas, whereupon such corporation shall maintain such General Common Areas in the same manner that the Enclave Association is empowered to do by this instrument with the same right of lien for assessments provided for herein.

ARTICLE XI

Dissolution or Insolvency of the Enclave Association

In the event that the Enclave Association becomes insolvent or for any reason whatsoever loses the ownership of any of the private streets, if any, or Common Areas, the Enclave Owners of Enclave Lots having an interest in such Common Areas and private streets, if any, may, at their election as determined by majority vote of those affected, form a nonprofit corporation as provided in the Articles of Incorporation and By-laws of the Enclave Association and assign to it the duty and authority to assess on a per lot basis all Enclave Lots having an interest in such Common Areas and private streets, if any, whereupon such corporation shall maintain such Common Areas and private streets, if any, in the same manner that the Enclave Association is empowered to do by this instrument with the same right of lien for assessments provided for herein.

STATE OF NORTH CAROLINA)
)
COUNTY OF FORSYTH)

The foregoing certificate of _____, a Notary Public of _____ is certified to be in due form and according to law. Let the said Declaration and certificate be registered.

This ____ day of _____, 2006.

Register of Deeds,
Forsyth County