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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PALISADES RESIDENTIAL PROPERTY

Drawn By and Mail to:
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Charlotte, NC 28211

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR PALISADES RESIDENTIAL
PROPERTY

THIS DECLARATION, made on the date hereinafter set forth by RHEIN PALISADES, LLC, a North Carolina limited liability company, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner and developer of that certain real property located Mecklenburg County, North Carolina and more particularly described on Exhibit A attached hereto and incorporated herein by reference (the "Property"), which Property is being developed by Declarant as a planned residential community known as Palisades Residential Property, containing single-family and multi-family residential homes for sale, which is a portion of the community known as The Palisades. The Palisades development is subject to the Master Declaration of Covenants, Conditions and Restrictions for Palisades reported in Book 14573, page 635 in the Mecklenburg County Public Registry, as amended from time to time, (hereinafter "Master Declaration"). Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in the Palisades Residential Property and for the maintenance of portions of the Property and improvements thereon, and to this end desires to subject the Property to the easements, covenants, conditions, restrictions, charges and liens hereinafter set forth and/or described. Declarant desires to impose pursuant hereto easements, covenants, conditions and restrictions upon all of the Property, with the understanding that, at the option of Declarant, additional restrictions may be imposed with regard to the various phases or portions of the Project.

WHEREAS, Declarant, in order to maintain community and cohesiveness throughout the Palisades Residential Property, has chosen to develop the Palisades Residential Property under one Declaration of Covenants, Conditions and Restrictions for Palisades Residential Property while retaining the concept of separate "Neighborhoods" as defined and set forth in the Master Declaration but without the requirement of separate Neighborhood associations and declarations for each different residential area comprised of one or more housing types; provided, however, Declarant reserves the right and may elect in the future to create such separate Neighborhood associations. It is anticipated that the different residential areas comprised of one or more housing types will all be subject to this Declaration of Covenants, Conditions and Restrictions for Palisades Residential Property with shared common areas and expenses but also with limited common areas located in specific Neighborhoods for use by Neighborhood members only and with additional assessments for the different Neighborhoods. In addition, separate assessments may be charged for certain Lots located in the Palisades Residential Property, and possibly located in the same Neighborhood, for different type services or improvements to those certain Lots. While attached residential development is planned for townhome lots, these documents include provisions to allow for condominium development and treatment of condominium units in this Declaration.

WHEREAS, Declarant deems it desirable in order to insure the efficient preservation, protection and enhancement of the values in Palisades Residential Property and the residents'

enjoyment of the specific rights, privileges and easements in the community properties that an organization be created to which will be delegated and assigned the powers of maintaining common areas and entrances, administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter imposed; and

WHEREAS, Declarant has caused to be created for the purposes aforesaid, a North Carolina non-profit corporation under the name and style of Palisades Residential Property Homeowners Association of Mecklenburg, Inc.

NOW, THEREFORE, Declarant hereby subjects the Property to the easements, covenants, conditions, restrictions, charges and liens hereinafter set forth and hereby declares that (subject to certain rights of amendment, as hereinafter described) all of the Property shall be held, sold and conveyed subject to such easements, covenants, conditions, restrictions, charges and liens, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Project. Subject to the rights of Declarant reserved in this Declaration, such easements, covenants, conditions, restrictions, charges and liens shall run with the Property, and be binding on all parties having or acquiring any right, title or interest in the Property, or any part thereof and shall inure to the benefit of each owner of the Property or any part thereof.

ARTICLE I

DEFINITIONS

Section 1. Definitions. The following terms when used in this Declaration, or any amendment or supplement hereto (unless the context shall otherwise require or unless otherwise specified herein or therein) shall have the following meanings:

(a) "Act" shall mean and refer to the North Carolina Planned Community Act, Chapter 47F, North Carolina Statutes.

(b) "Additional Declaration" shall mean and refer to any Declaration of Residential Covenants, Conditions and Restrictions filed in the Office of the Register of Deeds of Mecklenburg County, North Carolina with regard to a certain Phase, section or portion of the Property, as more particularly described in Section 3 of Article II hereof.

(c) "Approved Builder" shall mean and refer to one or more persons or companies, in the business of building and selling homes to individuals and selected by Declarant to buy Lots and construct homes for sale in the Property, so long as any such Approved Builder is in good standing with Declarant.

(d) "Architectural Control Committee" shall mean and refer to the committee formed pursuant to Article X hereof to oversee the development and enforcement of architectural control

standards and restrictions with respect to the Project and to perform certain other functions described in the Declaration.

(e) "Architectural Design Guidelines" shall have the meaning set forth in Article X hereof.

(f) "Articles" shall mean and refer to the Articles of Incorporation of the Association, a copy of which is attached hereto as Exhibit C, as the same maybe amended from time to time.

(g) "Association" shall mean and refer to Palisades Residential Property Homeowners Association of Mecklenburg, Inc., a North Carolina non-profit corporation, its successors and assigns.

(h) "Association Member" or "Member" shall mean and refer to any Person who holds membership in the Association as set forth in Article III hereof. Association Members shall include the Declarant, for so long as Declarant owns any part of the Property, and all Owners of Lots or other portions of the Property.

(i) "Board" or "Board of Directors" shall mean and refer to the Board of Directors of the Association.

(j) "Bylaws" shall mean and refer to the Bylaws of the Association, a copy of which is attached hereto as Exhibit D, as they may now or hereafter exist.

(k) "Certificate of Occupancy" shall mean and refer to any required certification issued by the appropriate governmental authorities as a prerequisite to occupancy of any structure on the Property.

(l) "Common Area" or "Common Areas" shall mean and refer, singularly or collectively, as applicable, to all land, improvements and other properties which hereafter shall be deeded to or acquired by, in fee, or by easement, from time to time by the Association for the common use and enjoyment of the Owners or a portion of the Owners and the Occupants, including, without limitation, the Private Roads, which are private roads to be maintained by the Association; Entrance Monument Easements, Landscape Easements; Sidewalk, Landscape and Private Driveway Easements, Private Driveway Easements and Private Road Entrance Landscape and Maintenance Easements all of which are to be maintained by the Association as provided in this Declaration and that property identified and designated as "Common Area," "Common Open Space," "COS," "Private Road," "Private Driveway," "Park," "Square," "Storm Water Management Area," or other different language with similar meaning on any recorded Plat or Plats of the Property or any part of it. Declarant reserves and has the sole authority to designate what is to be Common Area and therefore, maintained by the Association. Declarant shall have the right to designate additional Common Area in future Supplementary Declarations. Common Area shall also include Limited Common Areas

which are portions of Common Area which are allocated and restricted for the exclusive use and enjoyment of one or more, but fewer than all, of the Owners.

(m) "Common Expenses" shall mean and refer to the actual and estimated expenses the Association incurs or expects to incur, for the general benefit of Owners, including expenses in maintaining Common Areas. Common Expenses include any reserves the Board deems necessary or appropriate.

(n) "Community System(s)" or "System(s)" shall mean and refer to any or all of a central telecommunication receiving and distribution system (e.g., cable television, high speed data/internet/intranet services, and security monitoring) and its components, including associated infrastructure, structured wiring, equipment, hardware and software, serving Palisades Residential Property.

(o) "Declarant" shall mean and refer to RHEIN PALISADES, LLC, a North Carolina limited liability company, any successor or assign to which RHEIN PALISADES, LLC assigns its interest as Declarant hereunder in whole or in part by instrument recorded in the original records of Mecklenburg County, or any mortgagee of Declarant which takes control of the Property by foreclosure or trustee's deed.

(p) "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for Palisades Residential Property as it may be amended and/or supplemented from time to time as herein provided.

(q) "Entrance Monument Easements" shall mean and refer to the easements reserved by Declarant and granted to the Association in Article XII hereof over, across and under certain areas of the Property (and if applicable, over, across and under any Private Road Entrance Landscape and Maintenance Easement granted to the Association by the Golf Club owner and/or reserved by Declarant over Lots pursuant to the provisions of this Declaration) for the installation and maintenance of entrance monuments and related improvements for the Project, all as more particularly described in Article XII.

(r) "Landscape Easements" shall mean and refer to the easements reserved by Declarant and granted to the Association in Article XII hereof over, across and under certain areas of the Property, for the installation, maintenance, repair and removal of landscaping and landscaping amenities, including irrigation facilities, all as more particularly described in Article XII hereof.

(s) "Limited Common Area or Limited Common Areas" shall mean and refer, singularly or collectively, to any portion of Common Area which is allocated and restricted for the exclusive use and enjoyment of one or more, but fewer than all, of the Owners and which maintenance expense of Limited Common Areas shall be borne by those Owners (i.e., Owners of Private Road Lots, Owners of Private Driveway Lots, Owners of Townhome Lots and Owners of Other Type Lots) through payment of Private Road Assessments, Private Driveway Assessments, Townhome

Assessments and Other Type Lot Assessments. Any Condominium Unit may be located in a Limited Common Area for a condominium development.

(i) "Limited Common Area - Private Road Lots" shall mean and refer to that portion of Common Area allocated and restricted for the exclusive use and enjoyment for Owners of Private Road Lots with such Owners being subject to Private Road Assessments.

(ii) "Limited Common Area - Private Driveway Lots" shall mean and refer to that portion of Common Area allocated and restricted for the exclusive use and enjoyment for Owners of Private Driveway Lots with such Owners being subject to Private Driveway Assessments.

(iii) "Limited Common Area - Townhome Lots" shall mean and refer to that portion of Common Area allocated and restricted for the exclusive use and enjoyment for Owners of Townhome Lots with such Owners being subject to Townhome Assessments.

(iv) "Limited Common Area - Other Type Lots" shall mean and refer to that portion of Common Area allocated and restricted for the exclusive use and enjoyment for Owners of Other Type Lots with such Owners being subject to Other Type Assessments.

(t) "Lot" shall mean and refer to any plot of land, with delineated boundary lines, shown upon any recorded subdivision map of the Property, with the exception of any common area, common open space, streets, walkways or easements shown on any recorded map. Also included in the definition of "Lot" shall be a condominium unit created by the filing of a Declaration of Condominium and the recording of a plat in the unit ownership files in the Mecklenburg County Public Registry. In the event any Lot is increased or decreased in size by resubdivisions, through recordation of new subdivision plats, any such newly platted Lot shall thereafter constitute a Lot for the purposes of this Declaration.

(i) "Private Road Lot" shall mean and refer to a Lot located on a private road that may or may not be gated, but which will not be dedicated as a public street for public use and which will be maintained by the Association.

(ii) "Private Driveway Lot" shall mean and refer to a Lot with access being provided by a Sidewalk, Landscape and Private Driveway Easement connected to a Public Road, and shall also include a Lot with access provided by a Private Driveway connected to a Private Road or Public Road.

(iii) "Townhome Lot" shall mean and refer to a Lot on which one townhome dwelling and garage, if applicable, of a multi-townhome building is to be constructed.

(iv) "Condominium Lot" shall mean and refer to each individual condominium unit created by recording of a Declaration of Condominium and the recording of a plat in the unit ownership file in the Mecklenburg County Public Registry.

(iv) "Other Type Lots" shall mean and refer to a Lot which has been developed as a special type of Lot, but not as a Lot listed in (i) through (iv) hereof.

(u) "Maintenance Areas" shall have the meaning as set forth in Article XII hereof.

(v) "Master Annual Assessments" shall have the meaning as set forth in Section 4.3 of the Master Declaration.

(w) "Master Articles" shall mean and refer to the Articles of Incorporation of the Master Association filed with the North Carolina Secretary of State's Office, as the same maybe amended from time to time.

(x) "Master Association" shall mean and refer to the Palisades Master Association of Mecklenburg, Inc., a North Carolina non profit corporation, which Master Association has been established and exists to govern the ownership and maintenance of the Master Common Areas and the enforcement of the provisions of the Master Declaration.

(y) "Master Common Area" or "Master Common Areas" shall have the meaning as set forth in Section 1.1(hh) of the Master Declaration.

(z) "Master Declaration" shall mean and refer to the Master Declaration of Covenants, Conditions and Restrictions for Palisades recorded in Book 14573 at Page 635 in the Mecklenburg County Public Registry, as amended from time to time.

(aa) "Member" shall mean and refer to each Owner or Lot Owner who by virtue of ownership of a Lot is automatically a Member in the Association.

(bb) "Mortgage" shall mean and refer to any mortgage or deed of trust constituting a first lien on a Lot.

(cc) "Mortgagee" shall mean the owner and holder of a Mortgage at the time such term is being applied.

(dd) "Neighborhood" shall mean and refer to a separately developed residential area comprised of one or more housing types subject to this Declaration in which owners may have common interests other than those common to all Association Members, such as a common theme, entry feature, development name and/or Limited Common Areas and facilities which are not available for use by all Association Members. The boundaries of and what constitutes a Neighborhood shall be determined by Declarant in its sole discretion and maybe designated a

Neighborhood in this Declaration or in Supplementary Declaration. For example, and by way of illustration and not limitation, each townhome development, single-family detached development located on a private road, single-family detached development on a public road, and cluster home development could constitute a separate Neighborhood and a combination of such type developments could constitute a separate Neighborhood; however, each type development could be treated as a single Neighborhood. Owners of Lots in a Neighborhood may be subjected to the obligation to pay additional assessments for a particular Neighborhood as set forth in Article V hereof.

(ee) "Neighborhood Advisory Committee" shall mean and refer to any committee made up of Owners of Lots in a particular Neighborhood whose purpose will be to represent their Neighborhood and advise the Association and/or Master Association in all matters pertaining to their particular Neighborhood, including but not limited to, establishment of assessments for the Neighborhood, modifications and additions to improvements located on a Lot in their Neighborhood after construction of the initial dwelling by an Approved Builder.

(ff) "Notice and Opportunity for Hearing" shall mean and refer to the giving of at least fifteen (15) days' prior notice of a proposed action and the reasons therefor, and an opportunity to be heard by the Board, orally or in writing, not less than five (5) days before the effective date of the proposed action.

(ee) "Occupant" shall mean and refer to any person occupying all or any portion of a Lot, Tract or the Property for any period of time, regardless of whether such person is a tenant of the Owner of such Lot or portion of the Property.

(ff) "Other Assessments" shall have the meaning as set forth in Section 5(e) of Article V hereof.

(gg) "Owner" or "Lot Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot or other portion of the Property, but excluding those having such interest merely as security for the performance of an obligation.

(hh) "Person" shall mean and refer to any natural person, corporation, joint venture, partnership (general or limited), limited liability company, association, trust or other legal entity.

(ii) "Phase" or "Section" shall mean and refer to any phase, section or portion of the Property for which a separate Plat or Plats are recorded in the Office of the Register of Deeds of Mecklenburg County, North Carolina.

(jj) "Plat" shall mean and refer to any plat of the Property or any part of it which has been recorded in the Office of the Register of Deeds of Mecklenburg County, North Carolina.

(kk) "Private Driveway" shall mean and refer to the private driveway providing access to Private Driveway Lots as provided in Sections 13 and 14 of Article XII.

(ll) "Project" shall mean and refer to the residential development being developed or which may be developed by Declarant, as more particularly described on Exhibits A and B attached hereto and incorporated herein by reference.

(mm) "Property" or "Properties" shall mean and refer to that certain real property located in the City of Charlotte, Mecklenburg County, North Carolina and more particularly described on Exhibit A attached hereto and incorporated herein by reference, as well as such additional property as may be made subject to the provisions of this Declaration pursuant to the provisions of Section 2 of Article II hereof.

(nn) "Private Roads" shall mean and refer to the private roads, streets, entrance ways and cul-de-sacs in the Subdivision as shown on the Plats, and any other roads, streets, entrance ways and cul-de-sacs on the Property, all to be privately maintained by the Association, as set forth in Articles IV and XI hereof, and are not subject to public maintenance or public use.

(oo) "Private Road Entrance Landscape and Maintenance Easement" shall mean and refer to any Private Road Entrance Landscape and Maintenance Easement granted to the Association by Timberlake Golf Club, LLC, the owner of The Palisades Country Club (the "Golf Club") (or reserved by Declarant in this Declaration or Supplementary Declaration) over a portion or portions of the Property or the Golf Club property located within The Palisades as more particularly set forth in Section 15 of Article XII hereof, and any other portion of the Golf Club Property over which the Association has been granted a Private Road Entrance Landscape and Maintenance Easement by Timberlake Golf Club, LLC.

(qq) "Private Driveway Easements" shall mean and refer to the easements reserved by Declarant and granted to the Association and adjacent Private Driveway Lot Owners in Section 13 of Article XII hereof.

(rr) "Public Roads" shall mean and refer to any publicly maintained roads providing access to the Property and any public roads through the Property required by the Mecklenburg County Planning Commission to provide public access to any adjacent property.

(ss) "Regular Annual Assessments" shall have the meaning as set forth in Article V hereof.

(tt) "Sewer Assessments" shall have the meaning as set forth in Section 5(c) of Article V hereof.

(uu) "Special Assessments" shall have the meaning as set forth in Article V hereof.

(vv) "Special Declarant Rights" shall mean the rights as defined in Section 47F-1-103(28) of the Act for the benefit of a Declarant, including, but not limited to the following: to complete

improvements indicated on plats or plans filed with or referenced in the Declaration; to exercise any development right as defined in the Act; to maintain sales offices, management offices, models and signs advertising Palisades Residential Property; to use easements through the Common Area, including the Private Roads, for the purpose of making improvements within Palisades Residential Property or within real estate which may be added to Palisades Residential Property; and to elect, appoint or remove any officer or Board Member of the Association during any period of Declarant control.

(ww) "Special Individual Assessments" shall have the meaning as set forth in Article V hereof.

(xx) "Supplementary Declaration" shall mean and refer to any Supplementary Declaration of Covenants, Conditions and Restrictions filed in the Office of the Register of Deeds of Mecklenburg County, North Carolina to bring additional property within the coverage of this Declaration and the jurisdiction of the Association, and which may designate the Additional Property (or portions of the Additional Property) as being a part of the Neighborhood subject to additional assessments as more particularly described in Section 2 of Article II and Article V hereof.

(yy) "Sidewalk, Landscape and Private Driveway Easements" shall mean and refer to the Sidewalk, Landscape and Private Driveway Easements set forth in Section 14 of Article XII hereof, and which may be identified and designated as "Sidewalk, Landscape and Private Driveway Easements," "Sidewalk Landscape Private Driveway Easement" or other different language with similar meaning on any recorded Plat or Plats of the Property or any part of it.

(zz) "Trash Assessments" shall have the meaning as set forth in Section 5(d) of Article V hereof.

(aaa) "Water Assessments" shall have the meaning as set forth in Section 5(b) of Article V hereof.

(bbb) "Water Quality Plan" shall mean and refer to the Water Quality Plan for The Palisades adopted and approved by the Declarant and the City of Charlotte and County of Mecklenburg as it may be modified or amended from time to time.

ARTICLE II

PROPERTY

Section 1. Property Made Subject to this Declaration. The Property is hereby made subject to this Declaration and the Property shall be owned, held, leased, transferred, sold, mortgaged and/or conveyed by Declarant, the Association, each Owner and each party owning record title to any of the Property subject to this Declaration and the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration.

Section 2. Additional Property. Declarant shall have the right, at its election without the consent of any Owner or Owners, to bring within the coverage of this Declaration and the jurisdiction of the Association all or any portion of the property described on Exhibit B attached hereto and incorporated herein by reference (hereinafter "Additional Property"). Such additions authorized hereby shall be made by filing of record in the Office of the Register of Deeds for Mecklenburg County, North Carolina, Supplementary Declarations of Covenants, Conditions and Restrictions with respect to such Additional Property. Each such Supplementary Declaration shall extend the scheme of this Declaration and the jurisdiction of the Association to such Additional Property and thereby subject such Additional Property to assessment for their just share of the Association's expenses. Such Supplementary Declarations may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character of the Additional Property and as are not inconsistent with the provisions of this Declaration. The Declarant may designate that a portion of the Additional Property being brought into the Property by the filing of the Supplementary Declaration constitutes, or is a part of, a Neighborhood and Declarant shall have the right to set forth the amount of assessments which Lots in such Neighborhood are required to pay to the Association under the provisions of Article V hereof. In addition, a Supplemental Declaration may provide for the imposition and collection of additional assessments for Lots in a Neighborhood of The Palisades. Nothing contained in this Section 2, however, shall be construed to obligate Declarant to bring any Additional Property within the coverage of this Declaration.

Section 3. Additional Declarations. In addition to the controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens set forth in this Declaration, Declarant shall have the right, at its election without the consent of any Owner or Owners, to subject any Phase, Section or portion of the Property owned by Declarant to additional controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens, by filing an Additional Declaration in the Office of the Register of Deeds of Mecklenburg County covering only such Phase, Section or portion of the Property. Such an Additional Declaration may or may not provide for the establishment of a subAssociation to govern the ownership and/or maintenance of the property affected by and the enforcement of the provisions of such Additional Declaration. Whether or not a subAssociation is formed pursuant to such Additional Declaration, the Association shall have the right and authority to enforce all controls, covenants, conditions, restrictions, easements, development guidelines, charges and liens imposed by such Additional Declaration and any amendments thereto, whether or not such right and authority is expressly provided for in such Additional Declaration.

Section 4. Merger or Consolidation. Upon any merger or consolidation of an Association with another Association, the properties, rights and obligations of the Association may be transferred to another surviving or consolidated Association or, alternatively, the properties, rights and obligations of another Association may be added to the property, rights and obligations of such Association as the surviving corporation pursuant to a merger. The surviving or consolidated Association shall be considered an Association and shall administer the terms and provisions of this Declaration (to the extent they relate to the Phase(s) or Section(s) of the Property over which such

Association has jurisdiction) and the applicable Additional Declarations affecting the portions of the Property in the jurisdiction of such Association, together with the covenants and restrictions established upon any other properties, as one scheme. No such merger or consolidation, however, shall effectuate a revocation, change or addition to the terms and provisions of this Declaration or any Additional Declaration pertaining to the Property or any portion thereof except as specifically provided in this Declaration.

Section 5. Changes to this Declaration or Additional or Supplemental Declarations Requiring Declarant's Consent. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that, so long as Declarant owns any part of the Property, the prior written consent of Declarant shall be required for any parties to modify, change and/or amend, in whole or in part, the terms and provisions of this Declaration, any Supplementary Declaration and/or any Additional Declaration or to impose new or additional covenants, conditions, restrictions or easements on any part of the Property.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

Section 2. The voting rights of the membership shall be appurtenant to the ownership of the Lots. The Association shall have two (2) classes of voting membership.

(a) Class A. Except as provided below, Class A Members shall be all Lot Owners except the Declarant. Class A Members shall be entitled to one (1) vote for each such Lot owned. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the vote appurtenant to said 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.

(b) Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to twenty (20) votes for each Lot located on the property in the Project owned by Declarant. Notwithstanding anything contained herein to the contrary, the Class B membership shall cease and be converted to a Class A membership on the earliest to occur of (a) the date on which Declarant no longer owns any part of the Property; (b) the date Declarant shall elect, in its sole discretion, that Class B membership cease and be converted to Class A membership (which election may be made, if at all, upon Declarant giving written notice of the election to the Board); or (c) December 31, 2025. The earliest to occur of (a), (b) or (c) above shall herein be referred to as the "Turnover Date." After the Turnover Date

and for so long as Declarant owns any part of the Property, Declarant shall be a Class A Member.

ARTICLE IV

PROPERTY RIGHTS, EASEMENTS, RIGHTS OF ENTRY AND COMMUNITY SYSTEMS

Section 1. Owner's Right of Enjoyment. Every Owner, and in the case of rented homes, such Owner's tenants, shall have a non-exclusive right to and easement for the enjoyment of, in and to the Common Areas and such rights and easements shall be appurtenant to and shall pass with the title to every Lot.

The Owner's non-exclusive right to and easement for the enjoyment of, in and to the Common Areas shall also be subject to the following:

(a) The right of the Association to charge reasonable admission and other fees for the use of any facility situated upon the Common Area and to limit the use of said facilities to Owners who occupy a residence on the Property, and to their families, tenants, and guests as provided in Section 2 of this Article IV;

(b) The right of the Association to suspend the voting rights and rights of an Owner to the use of the facilities for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless the Members entitled to at least three-fourths (3/4) of the votes appurtenant to each of the two classes of Lots (Class A Lots and Class B Lots) agree to such dedication or transfer and signify their agreement by a signed and recorded written document, provided that this subsection shall not preclude the Board of Directors of the Association from granting easements for the installation and maintenance of sewerage, utilities, including CATV, and drainage facilities upon, over, under and across the Common Area without the assent of the membership when such easements, in the opinion of said Board, are requisite for the convenient use and enjoyment of the Property. Notwithstanding the above, the Association shall have the right to convey or transfer small portions of the Common Area to any party or parties for the purposes of changing any Lot lines or correcting minor errors, discrepancies or encroachments which may arise in deeds, surveys or other instruments into the Association or any Owner, including any corrections made necessary by the revision or modification of an existing recorded map of the Property;

(d) Except as provided in Subsection (c) hereinabove, conveyance or encumbrance of Common Area shall be governed by Section 47F-3-112 of the Act which provides that portions of the Common Area may be conveyed or subjected to a security interest by the Association if persons entitled to cast at least eighty percent (80%) of the votes in the Association agree in writing to that action. Proceeds of the sale or financing of Common Area shall be an asset of the Association. The Association, on behalf of the Owners, may contract to convey Common Area or subject Common Area to a security interest, but the contract is not enforceable against the Association until approved as hereinabove set forth. Thereafter the Association has all powers necessary and appropriate to affect the conveyance or encumbrance, free and clear of any interest of any Owner or the Association in or to the Common Area conveyed or encumbered, including the power to execute deeds or other instruments. No conveyance or encumbrance of Common Area may deprive any Lot of its rights of access and support.

(e) The right of the Association, with the assent of Members entitled to at least two-thirds (2/3) of the votes appurtenant to each class of Lot (Class A and B), to mortgage, pledge, deed in trust, or otherwise hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(f) The right of the Declarant to designate portions of Common Area as Limited Common Area for the exclusive use and enjoyment of one or more, but fewer than all, of the Owners (such Owners may be the Owners of a particular housing type or Owners in a certain Neighborhood or Phase served by Private Roads and/or Private Driveways) who will pay additional assessments for such use and maintenance of Limited Common Areas as set forth in Article V hereof;

(g) The right of the Association to levy Regular Annual Assessments, Private Road Assessments, Private Driveway Assessments, Townhome Assessments, Special Individual Assessments, Special Assessments, Water Assessments, Sewer Assessments, Trash Assessments and Other Assessments as set forth in Article V hereof.

(h) The right of Declarant, its successors and assigns, to make any improvements for any reason they deem proper upon the Common Areas, even after their conveyance to the Association. Declarant hereby reserves an easement over the Common Areas for the purpose of development the remainder of the adjacent property owned by Declarant. Although not limiting the scope of this easement, this easement shall include the right of access at all times for its employees, agents, subcontractors, invitees, etc., over the Common Areas and shall include the right to construct, maintain and dedicate any additional drainage easements, general utility easements and any additional sanitary sewer or water line easements across any of the Common Areas. This easement shall terminate upon the completion of the development of the Project or fifteen (15) years from the date hereof, whichever first occurs;

(i) The right of Declarant, its successors and assigns, and the Association, to erect and maintain monuments, fences, ponds, signs, lighting and irrigation systems, and any other improvements and landscaping within Common Areas or any easements granted under the provisions of Article XII hereof and as shown upon any plat of subdivision of the Property and within median strips;

(j) The right of the Association to enter any Townhome Lot in order to perform any maintenance, alteration, or repair required herein to be performed by the Association, and the Owner of said Townhome Lot shall permit the Association or its representative to enter for such purpose at reasonable times and with reasonable advance notice (except with respect to any exterior maintenance which shall be performed, without notice, at reasonable times as determined by the Association); and

(k) The right of the Association or its representative to enter any Lot in case of any emergency threatening such Lot or any other Lot for the purpose of remedying or abating the cause of such emergency. Such right of entry shall be immediate.

Section 2. Delegation of Use.

(a) Family. The right and easement of enjoyment granted to every Owner in Section 1 of this Article may be exercised by Members of the Owner's family who occupy the residence of the Owner within the Property as their principal residence in the City of Charlotte, Mecklenburg County, North Carolina.

(b) Tenants. The right and easement of enjoyment granted to every Owner in Section 1 of this Article may be delegated by the Owner to his tenants or contract purchasers who occupy a residence within the Property, or a portion of said residence, as their principal residence in the City of Charlotte, Mecklenburg County, North Carolina.

(c) Guests. Facilities located on Common Areas may be utilized by guests of Owners, tenants or contract purchasers subject to such rules and regulations governing said use of the Common Areas as may be established by the Board of Directors.

Section 3. Title to Common Areas. Title to the Common Areas, other than the title to any Common Area over which the Association has been granted an easement in this Declaration or in any separate easement agreement, shall be conveyed to the Association free and clear of all monetary liens and encumbrances; provided, however, that Declarant shall have the right from time to time to reserve for the purpose of development of the Property all or any portion of the Property and any Common Areas for various easements and rights-of-way, together with the right to dedicate same where applicable and customary and the right of ingress and egress across the Common Areas in connection with the development of the Property. Declarant's rights hereunder shall not unreasonably interfere with Owner's easement for enjoyment.

The Association shall accept "as is" the conveyance of Common Areas without any representation or warranty, express or implied, in fact or by law, with respect thereto, or with respect to the improvements and repairs to be completed after the conveyance, including, without limitation, representations or warranties of merchantability or fitness for the ordinary or any particular purpose, and without any representations or warranties regarding future repairs or regarding the condition, construction, accuracy, completeness, design, adequacy of the size or capacity in relation to the utilization, date of completion or the future economic performance or operations of, or the utilities, materials or furniture which have been or will be used in such Common Areas or repairs, except as set forth herein. By acceptance of an interest in any such Common Area or the deed to any Lot, the Association and all Owners release Declarant from any claims and warrant that no claim shall be made by the Association or any Owner relating to the condition, or completeness of such property or repairs or for incidental or consequential damages arising therefrom.

Section 4. Entry Easement to Association. The Association, through its authorized representatives, shall have the right of entry and access to, over, upon and through all of the Property, to enable the Association to perform its obligations, exercise its rights, and fulfill its duties pursuant hereto, and such representatives shall not be deemed to have committed a trespass as a result thereof. Except in an emergency situation, entry shall only be during reasonable hours and after written notice by first class US mail or e-mail to Owner of that portion of the Property being entered.

Section 5. Private Roads. Pursuant to the provisions of this Declaration, the Private Roads will be maintained by the Association. Maintenance of the Private Roads shall be to the customary standard of maintenance for Private Roads (if one is ascertainable) or to the standard determined by the Board in its sole discretion. The Public Roads shall be maintained by Declarant until such maintenance is taken over by the appropriate governmental authority.

Section 6. Provisions of Services. The Association may provide, or provide for, services and facilities for all or any of the Owners and their Lots, and may enter into contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Board may charge use or service fees for any such services and facilities, or may include the costs in the Association's budget as a Common Expense and assess it as part of the Regular Annual Assessment, if provided to all Lots. By way of example, such services and facilities might include landscape maintenance, pest control service, cable television service, telephone, internet access, security monitoring, caretaker, transportation, fire protection, utilities, trash collection and recycling, and similar services and facilities.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, subject to the contract terms, the Board may modify or cancel existing contracts for services in its discretion, unless the services are otherwise required by this Declaration. Non-use of services provided to all Owners or Lots as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

Section 7. Rules and Regulations Regarding Security. It is anticipated that certain entries from a Public Road to Private Roads; a Private Driveway or to any other non-public private access may be gated with a mechanical gate to be opened by use of a card, code, electronic device or other means made available by the Association to Owners whose access is over such Private Road or Private Driveway. The Board may make such reasonable rules and regulations as it may elect with respect to the use of the card gate(s) and security systems, visitor screening, and access, ingress and egress into the Property. The Board shall have the authority to employ a private security firm to provide security and alarm/gate monitoring for the Property. The Board shall generally determine the scope and hours of operation of all security services. Entries may be monitored with cameras and recorded.

Neither the Association nor the Declarant (nor any director, officer or partner of either) makes any representation or warranty, direct or indirect, to any Owner regarding the security provided for the Property and none shall be liable in any manner whatsoever for any loss, injury, damage or death occurring on the Property, regardless of whether the same was the result of the failure of the security provided in accordance with the terms hereof to prevent the same.

Section 8. Bulk Rate Service Agreements. The Association may enter into contracts, including bulk rate service agreements, with providers of Community Systems components and other utilities and with other Persons for the maintenance, management, administration, upgrading, modification and operation of the Systems and utilities. The Association's expenses in connection with any such bulk rate contracts shall be a Common Expense to be included in the Regular Annual Assessment; provided, if particular or additional services or benefits are provided to particular Lots, the Owner(s) of such Lot(s) shall pay the service provider directly for such services, or the Association may assess the costs as a Special Individual Assessment.

The terms of any Association contract for Community Systems or other utilities may obligate individual Owners or occupants to execute subscription agreements or other contracts directly with the Persons providing components or services prior to gaining access to the System or utility, or in the alternative, the Association may execute a subscription agreement or contract on behalf of all Owners. Such subscription agreements or other contracts may contain terms and conditions relating to use and access to the Community Systems or utility which, if violated by the Owner or occupant of a Lot, may result in services to such Owner's or occupant's Lot being terminated by the System or utility provider or by the Association. The termination of service for such a violation shall not relieve the Owner of the continuing obligation to pay that portion of assessments or other Association charges pertaining to the Community Systems or common utilities.

The Association shall have no obligation to utilize any particular provider or providers; provided, except for cause (as defined under a written agreement with the provider), the Association may not, without Declarant's consent, terminate or refuse to renew any contract entered into during the existence of Class B Membership.

Section 9. Reciprocal Easements. There shall be reciprocal appurtenant easements between each Lot and such portion or portions of the Common Area as may be adjacent thereto and

between adjacent Lots for the flow of rainwater from gutters and downspouts; provided, however, that no such easement shall unreasonably interfere with the use and enjoyment of the Common Area or any adjacent Lot. If any Common Area or Lot improvement encroaches upon a Lot because of the placement, construction, reconstruction, repair, movement, settling or shifting of the improvements constructed by Declarant, or reconstructed or repaired in accordance with the provisions of this Declaration, an easement for the encroachment and for its maintenance shall exist to a distance of not more than two (2) feet as measured from any point on the common boundary between the Common Area and the Lot or between Lots, as the case may be, along a line perpendicular to such boundary at such point. If any Lot encroaches upon the Common Area as a result of construction, reconstruction, repair, shifting, settlement or movement of any portion of the Property, an easement for the encroachment and for its maintenance shall exist so long as it remains.

Section 10. No Subdivision of Lots; No Time-Sharing. Other than that effected by Declarant in preparing and recording Maps, or in revising recorded Maps, there shall be no further subdivision or partition of any Lot nor shall any Owner other than Declarant, or any other person acquiring any interest in a Lot seek any partition or subdivision thereof. There shall be no time-sharing or other co-ownership which allows multiple Owners sequential possessory interests in a Lot.

Section 11. Rules and Regulations. The Association shall have the right to adopt, publish and enforce Rules and Regulations governing the Property, the use and enjoyment of the Common Area, and any facilities thereon, and the personal conduct thereon of the Owners, their guests, invitees, members of their families or households and tenants. Such Rules and Regulations shall be reasonable, shall not discriminate against Declarant (or have an adverse impact on Declarant or upon the sale of Lots or the construction of improvements thereon), and must be consistent with this Declaration, the Articles and the Bylaws. Rules and Regulations shall not be effective until written notice thereof has been given by hand delivery or mailing a copy of the Rules and Regulations, postage prepaid, at least ten (10) days before the effective date of the Rules and Regulations, to each Owner addressed to the Owner's address last appearing in the books of the Association.

Section 12. Enforcement. Unless otherwise limited by the terms and provisions of the Act, the Association shall have the right, after Notice and Opportunity for Hearing, to levy fines for infraction of the provisions of this Declaration or the Rules and Regulations, provided (a) the Member shall have been warned in writing of a previous infraction within the preceding one (1) year, and (b) the fine conforms to the provisions of Section 9.11.

Section 13. Party Walls.

(a) General Rules of Law to Apply. Each wall which is built as a part of the original construction of a townhome upon Townhome Lots and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) Sharing of Repair and Maintenance. The cost of replacement, repair and maintenance of a party wall shall be shared equally by the Townhome Lot Owners of the Lots which share the wall, in proportion to such use.

(c) Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other causality, any Townhome Lot Owner who has used the wall may restore it, and if the other Townhome Lot Owner thereafter makes use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Townhome Lot Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omission.

(d) Weatherproofing. Notwithstanding any other provision of this Section, a Townhome Lot Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) Right to Contribution Runs With Land. The right of any Townhome Lot Owner to contribution from any other Townhome Lot Owner under this Section shall be appurtenant to the land and shall pass to such Townhome Lot Owner's successors in title.

(f) Arbitration. In the event of any dispute arising concerning a party wall or under the provisions of this Article, the same shall be settled by arbitration in the manner provided under the Uniform Arbitration Act of North Carolina, as the same may be amended from time to time.

ARTICLE V

COVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) Regular Annual Assessments or charges and, as applicable, Private Road Assessments (as applicable to Private Road Lots), Private Driveway Assessments (as applicable to Private Driveway Lots) and Townhome Assessments (as applicable to Townhome Lots); (2) Special Assessments for capital improvements; and (3) Special Individual Assessments, including Water Assessments, Sewer Assessments, Trash Assessments and Other Assessments, levied against individual Owners; such assessments to be fixed, established and collected from time to time as hereinafter provided. The assessments described in (1), (2), and (3) of this Section 1 (the "Assessments") together with interest thereon, late charges, attorney fees, court costs and other cost of collection, shall be a charge on the land and shall be a continuing lien upon each Lot against which each such assessment is made. The Assessment shall also be the personal or corporate obligation of the person(s), firm(s), or corporation(s) owning such Lot at the time when the

Assessment fell due, but such personal obligation shall not be imposed upon such Owners' successors in title unless expressly assumed by them. Although unpaid Assessment charges are not the personal obligation upon such Owner's successors in title unless expressly assumed by the successors in title, the unpaid Assessment charges continue to be a lien upon the property against which the Assessment has been made.

Section 2. Purposes of Assessments. The Assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of the residents of the Property, the enforcement of these Covenants and the rules of the Association, and in particular for the improvement, and maintenance of the Property and providing the services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area (including Limited Common Area) and any other areas maintained by the Association, 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, the procurement and maintenance of insurance in accordance with the By-Laws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise, all such items being Common Expenses of the Association.

Without limiting the generality of the above-described purposes, the Assessments levied by the Association may be used for the acquisition, construction, improvement (including landscaping and planting) and maintenance of the common facilities located or to be located in the Common Area, including the landscaping, improvements of any kind installed by Declarant and/or Association and irrigation system(s), if any, located in the Common Areas, and the payment of certain common expenses, including the following:

- (a) providing grass cutting, fertilizing, weed and insect treatments and maintenance of trees, shrubbery and flowers located on or within Common Areas;
- (b) providing maintenance and operation of all walls, fountains and pools, monuments, irrigation facilities, sidewalks, paths or trails, parking areas, fences, signage, lighting or other structures and facilities located on or within any of the areas identified as Common Areas, including the Sidewalk, Landscape and Private Driveway Easement, Private Driveway Easement and Private Road Entrance Landscape and Maintenance Easement and any other easements granted to the Association (or reserved by the Declarant for the Association) herein or granted by separate agreement to the Association;
- (c) keeping the Common Areas clean and free from debris and to maintain the same in a clean and orderly condition;
- (d) paying all ad valorem taxes levied against the Common Areas and any other property owned by the Association;

(e) paying the premiums on all insurance carried by the Association pursuant hereto or pursuant to the ByLaws;

(f) paying all legal, accounting and other professional fees incurred by the Association in carrying out its duties as set forth herein or in the ByLaws, including all costs and expenses of the Architectural Control Committee;

(g) promoting the recreation, health, safety and welfare of the residents in Palisades Residential Property as it relates to this Association;

(h) carrying out the powers and duties of the Board, the Association, and the Architectural Control Committee as stated in the Articles of Incorporation, By-Laws and this Declaration;

(i) maintaining any Storm Water Management Areas located on portions of Common Areas to the standard required by the governmental entity or agency having jurisdiction over such areas;

(j) insuring compliance by the Palisades Residential Property and it's Owners with the Water Quality Plan for The Palisades;

(k) paying of the costs of Community System(s) as may be approved by the Board pursuant to Sections 6, 7 and 8 of Article IV hereof, as may be deemed reasonably necessary for the protection of Lots or certain Lots and Limited Common Areas;

(l) paying the water/sewer bills and management of master water meters and master sewer meters, if any, for the Private Road Lots, Townhome Lots and other Lots served by a private sanitary sewer system;

(m) paying all and any other Common Expenses of the Association;

(n) paying the costs of operating, maintaining and updating a community web site for The Palisades, including web cams, if any, and other state-of-the-art web site features and equipment;

(o) enforcing this Declaration and any separate Declaration of Restriction that have been recorded on different sections or phases of The Palisades as provided in Article VIII hereof; and

(p) paying all Master Association annual assessments for Lots in Palisades Residential Property.

Section 3. Regular Annual Assessments, Private Road Assessments, Private Driveway Assessments, Townhome Assessments, Condominium Assessments and Other Assessments. Regular annual, private road, private driveway, townhome assessments, condominium assessments and other assessments shall be assessed and paid as follows:

(a) Regular Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum Regular Annual Assessment shall not be in excess of: \$750.00 per Class A Lot and \$250.00 per Class B Lot (subject to the provisions of Section 9 hereof); provided however, that any Class A Lot owned by an Approved Builder which is vacant, under construction or finished but not occupied, shall pay one-third (1/3) of the Class A Regular Annual Assessment, except as otherwise provided herein. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Regular Annual Assessment may be increased or decreased by the Board of Directors effective January 1 of each year, without a vote of the membership, but subject to the limitation that the percentage of any such increase or decrease shall not exceed the following without a vote of the membership: (1) increase of 10% of the Regular Annual Assessment for the previous year; (2) decrease of 5% of the Regular Annual Assessment for the previous year or (3) if the increase in the CPI index is greater than 10% for the preceding year, the percentage increase shall be the increase in the CPI index (Consumer Price Index, U.S. City Average, All Items (1967 = 100) published by the U.S. Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas" between the first and last months of the thirteen [13] month period terminating at the end of the third [3rd] quarter of the next preceding calendar year. If the CPI is discontinued then there shall be used the most similar index published by the United States Government indicating changes in cost of living).

(b) Private Road Assessments. In addition to the regular annual assessment for each Lot provided above, each Private Road Lot shall be subject to a private road assessment which for the first assessment year shall be a maximum of \$1,500.00 per Private Road Lot; provided however, that any Private Road Lot owned by an Approved Builder which is vacant, under construction or finished but not occupied, shall pay one-third (1/3) of the Private Road Assessment, and further provided that if the first assessment year shall have fewer than twelve months, the foregoing amount shall be proportionately reduced, and, further provided, that the Board of Directors may establish different Private Road Assessments for different Neighborhoods of Private Road Lots. The Supplementary Declaration for each Neighborhood of Private Road Lots shall set forth the amount of the Private Road Assessment for that particular Neighborhood of Private Road Lots and upon the recordation of such Supplementary Declaration, the amount of the Private Road Assessment for that particular Neighborhood of Private Road Lots shall be the Private Road Assessment for that particular Neighborhood of Private Road Lots subject to increases and/or decreases as provided in this subsection(b) and any other section in this Article V. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Private Road Assessment may be increased or decreased by the Board of

Directors effective January 1 of each year, without a vote of the membership, but subject to the limitation that the percentage of any such increase or decrease shall not exceed the following without a vote of the Private Road Lot Owners as set forth in subparagraph (e) hereinbelow: (1) increase of 10% of the Private Road Assessment for the previous year; (2) decrease of 5% of the Private Road Assessment for the previous year or (3) if the increase in the CPI index is greater than 10% for the preceding year, the percentage increase shall be the increase in the CPI index (Consumer Price Index, U.S. City Average, All Items (1967 = 100) published by the U.S. Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas" between the first and last months of the thirteen [13] month period terminating at the end of the third [3rd] quarter of the next preceding calendar year. If the CPI is discontinued then there shall be used the most similar index published by the United States Government indicating changes in cost of living). Notwithstanding the foregoing, each Private Road Lot remaining under the ownership of Declarant shall not be required to pay Private Road Assessments during the period of ownership by Declarant.

The purpose of the Private Road Assessments is to provide for the expanded purposes, over and above the purposes set forth in Section 2 hereinabove, which are necessary and/or desirable for the Private Road Lots including, but not limited to, maintenance of Limited Common Area - Private Road Lots, extra security measures (such as a mechanical gate, gate house, etc.), if any, entrance monumentation, and improvements, additional landscaping, lighting and irrigation systems, if any, private trash collection and the maintenance, repair and replacement of the private road and private utilities, if any.

(c) Private Driveway Assessments. In addition to the regular annual assessment for each Lot provided above, each Private Driveway Lot shall be subject to a private road assessment which for the first assessment year shall be a maximum of \$1,300.00 per Private Driveway Lot; provided however, that any Private Driveway Lot owned by an Approved Builder which is vacant, under construction or finished but not occupied, shall pay one-third (1/3) of the Private Driveway Assessment, provided that if the first assessment year shall have fewer than twelve months, the foregoing amount shall be proportionately reduced, and, further provided, that the Board of Directors may establish different Private Driveway Assessments for different Neighborhoods of Private Driveway Lots. The Supplementary Declaration for each Neighborhood of Private Driveway Lots shall set forth the amount of the Private Driveway Assessment for that particular Neighborhood of Private Driveway Lots and upon the recordation of such Supplementary Declaration, the amount of the Private Driveway Assessment for that particular Neighborhood of Private Driveway Lots shall be the Private Driveway Assessment for that particular Neighborhood of Private Driveway Lots subject to increases and/or decreases as provided in this subsection(b) and any other section in this Article V. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Private Driveway Assessment may be increased or decreased by the Board of Directors effective January 1 of each year, without a vote of the Private Driveway Lot Owners as set forth in subparagraph (e) hereinbelow, but subject to the

limitation that the percentage of any such increase or decrease shall not exceed the following without a vote of the membership: (1) increase of 10% of the Private Driveway Assessment for the previous year; (2) decrease of 5% of the Private Driveway Assessment for the previous year or (3) if the increase in the CPI index is greater than 10% for the preceding year, the percentage increase shall be the increase in the CPI index (Consumer Price Index, U.S. City Average, All Items (1967 = 100) published by the U.S. Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas" between the first and last months of the thirteen [13] month period terminating at the end of the third [3rd] quarter of the next preceding calendar year. If the CPI is discontinued then there shall be used the most similar index published by the United States Government indicating changes in cost of living). Notwithstanding the foregoing, each Private Driveway Lot remaining under the ownership of Declarant shall not be required to pay Private Driveway Assessments during the period of ownership by Declarant.

The purpose of the Private Driveway Assessments is to provide for the expanded purposes, over and above the purposes set forth in Section 2 hereinabove, which are necessary and/or desirable for the Private Driveway Lots including, but not limited to, maintenance of Limited Common Area - Private Driveway Lots, extra security measure (such as a mechanical gate, gate house, etc.), if any, entrance monumentation, and improvements, additional landscaping, lighting and irrigation systems, if any, private trash collection and the maintenance, repair and replacement of the private driveway and private utilities, if any.

(d) Townhome Assessments. In addition to the regular annual assessment for each Lot provided above, each Townhome Lot shall be subject to a townhome assessment which for the first assessment year shall be a maximum of \$200.00 per month per Townhome Lot ; provided however, that any Townhome Lot owned by an Approved Builder which is vacant, under construction or finished but not occupied, shall pay one-third (1/3) of the Townhome Assessment, and, further provided, that the Board of Directors may establish different Townhome Assessments for different Neighborhoods of Townhome Lots. The Supplementary Declaration for each Neighborhood of Townhome Lots shall set forth the amount of the Townhome Assessment for that particular Neighborhood of Townhome Lots which may exceed or be less than the maximum Townhome Assessment set forth hereinabove and upon the recordation of such Supplementary Declaration, the amount of the Townhome Assessment for that particular Neighborhood of Townhome Lots shall be the Townhome Assessment for that particular Neighborhood of Townhome Lots subject to increases and/or decreases as provided in this subsection(b) and any other section in this Article V. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Townhome Assessment may be increased or decreased by the Board of Directors effective January 1 of each year, without a vote of the membership, but subject to the limitation that the percentage of any such increase or decrease shall not exceed the following without a vote of the Townhome Lot Owners as set forth in subparagraph (e) hereinbelow: (1) increase of 10% of the Townhome Assessment for the previous year; (2) decrease of 5% of the Townhome Assessment for the previous year or (3) if the increase in

the CPI index is greater than 10% for the preceding year, the percentage increase shall be the increase in the CPI index (Consumer Price Index, U.S. City Average, All Items (1967 = 100) published by the U.S. Bureau of Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas" between the first and last months of the thirteen [13] month period terminating at the end of the third [3rd] quarter of the next preceding calendar year. If the CPI is discontinued then there shall be used the most similar index published by the United States Government indicating changes in cost of living). Notwithstanding the foregoing, each Townhome Lot remaining under the ownership of Declarant shall not be required to pay Townhome Assessments during the period of ownership by Declarant.

The purpose of the Townhome Assessments is to provide for the expanded purposes, over and above the purposes set forth in Section 2 hereinabove, which are necessary and/or desirable for the Townhome Lots including, but not limited to, exterior maintenance of the townhome, maintenance of Limited Common Area - Townhome Lots, providing water and sewer through a master water/sewer meter, security measure (such as a mechanical gate, gate house, etc.), if any, entrance monumentation, and improvements, additional landscaping, lighting and irrigation systems, if any, private trash collection and the maintenance, repair and replacement of any private driveways and parking areas for the Townhome Lots.

(e) Condominium Assessments. In the event Declarant develops and/or constructs condominium units as a part of The Palisades, Condominium Assessments shall be established by the Board of Directors similar in nature to the Townhome Assessments set forth subparagraph (d) hereinabove.

(f) Other Assessments. The Declarant shall have the right to provide for other assessments that the Declarant deems necessary and/or desirable to provide certain services and/or amenities to a particular Neighborhood of Lots or Other Type Lots in The Palisades. The Supplementary Declaration or Additional Declaration annexing Additional Property or a portion thereof into The Palisades executed pursuant to Sections 2 and 3 of Article II hereinabove may provide for other assessments and their collection for particular Neighborhoods. For example, Declarant may decide to develop a certain section of Lots as equestrian lots and subject such lots, or Lot Owners using the equestrian facilities, to an "equestrian assessment." As another example, Declarant may decide to develop a certain section of Lots as Golf Villas or Patio Homes and may subject such Lots to a Golf Villa Assessment or Patio Home Assessment.

(g) Setting of Regular Annual Assessments, Private Road Assessments, Private Driveway Assessments Townhome Assessments, Condominium Assessments and Other Assessments. The Board shall fix the amount and due date of the regular annual assessments, private road assessments, private driveway assessments, townhome assessments, condominium assessments and other assessments on a yearly basis at least sixty (60) days in advance of each assessment year. As provided in subsections (b), (c), (d), (e)

and (f) hereinabove, assessments, other than the Regular Annual Assessments, may vary Neighborhood by Neighborhood throughout the Palisades Residential Property. In establishing these different assessments on a Neighborhood by Neighborhood basis, the Board shall use the previous year's Neighborhood Assessment as a starting point and may consider input and information from any Neighborhood Advisory Committee in setting a particular Neighborhood Assessment, subject to the limitations set forth hereinbelow. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Regular Annual Assessment may be increased or decreased without limitation if such increase or decrease is approved by no less than two-thirds (2/3) of the votes appurtenant to each class of Lots (Class A and Class B), cast in person or by proxy, at a meeting duly called for this purpose. From and after January 1 of the year immediately following the conveyance of the first Private Road Lot to an Owner, the Private Road Assessment may be increased or decreased without limitation if such increase or decrease is approved by no less than two-thirds (2/3) of the votes of the Owners of the Private Road Lots, including Class A and Class B Owners, cast in person or by proxy, at a meeting duly called for this purpose. From and after January 1 of the year immediately following the conveyance of the first Private Driveway Lot to an Owner, the Private Driveway Assessment may be increased or decreased without limitation if such increase or decrease is approved by no less than two-thirds (2/3) of the votes of the Owners of the Private Driveway Lots, including Class A and Class B Owners, cast in person or by proxy, at a meeting duly called for this purpose. From and after January 1 of the year immediately following the conveyance of the first Townhome Lot to an Owner, the Townhome Assessment may be increased or decreased without limitation if such increase or decrease is approved by no less than two-thirds (2/3) of the votes of the Owners of the Townhome Lots, including Class A and Class B Owners, cast in person or by proxy, at a meeting duly called for this purpose. From and after January 1 of the year immediately following the conveyance of the first Condominium (or other type) Lot to an Owner, the Condominium Assessment (or other assessment) may be increased or decreased without limitation if such increase or decrease is approved by no less than two-thirds (2/3) of the votes of the Owners of the Condominium Lots (or other type Lots), including Class A and Class B Owners, cast in person or by proxy, at a meeting duly called for this purpose. Written notice of the regular annual assessment (and as applicable, the private road, private driveway townhome, condominium or other assessments) shall be sent to every Owner who is not present at the time the regular annual, private road, private driveway and townhome assessments are fixed. If the Board fails to so fix the regular annual, private road, private driveway townhome, condominium or other assessments, the assessments applicable for the previous assessment year shall remain in effect until the Board shall fix a new regular annual, private road, private driveway townhome, condominium or other assessment. The Association shall, upon demand, and for a reasonable charge, furnish to any person having a legitimate interest a certificate signed by an officer of the Association stating whether the regular annual assessment, private road assessment, private driveway assessment, townhome assessment special assessments, condominium assessment or other assessments, if any, on a specified Lot have been paid and, if not, the amount due.

(h) Neighborhood Assessments. The amount of the assessments applicable to each Lot over and above the Regular Annual Assessment set forth in subparagraph (a) above shall be considered "Neighborhood Assessments" for use only for expenses attributable to that certain Neighborhood in which the Lot is located. A Neighborhood may be made of different type Lots (i.e., Private Driveway Lots, Private Road Lots, etc.) And Lots in a Neighborhood may be subject to different Neighborhood Assessments within a Neighborhood. The Neighborhood Assessments collected by the Association under Sections 3, 4 and 5 hereof for a particular Neighborhood shall be placed in a separate account for that particular Neighborhood and such assessments may not be used for any other Neighborhood. In no event shall the Neighborhood Assessments be comingled with the Regular Annual Assessments for Palisades Residential Property or for any other individual Neighborhood. The Association shall pay all invoices and bills attributable to a certain Neighborhood from such Neighborhood Assessments account.

Section 4. Special Assessments. In addition to the Regular Annual Assessments, Private Road Assessments, Private Driveway Assessments, Townhome Assessments, Condominium Assessments and Other Assessments described in Section 3 above, the Board may levy, in any assessment year, Special Assessments as follows:

(a) Common Area. In addition to the Regular Annual Assessments authorized in Section 3(a), above, the Board, with a vote of Members as provided in Section 7 hereof, may levy, in any assessment year, special assessments against all Owners applicable to that year only for the purpose of defraying, any costs incurred by the Association which are not paid for out of funds on hand in the Association or out of the regular annual assessments collected by the Association, which costs may include, but shall not be limited to, the costs of any construction, reconstruction, repair or replacement of capital improvements and related fixtures and personal property on or comprising a part of the Common Area (excluding Limited Common Areas); provided, however, any such assessment shall be in the ratio between Class A and Class B Lots as set forth in Section 3(a) above. Notwithstanding the above, all fees and costs incurred by the Association in exploring or waging a complaint or suit against Declarant must be paid for out of a Special Assessment and, for this purpose only, such a Special Assessment must be approved by a vote of the Members entitled to cast no less than two thirds (2/3) of all votes entitled to be cast by the Members.

(b) Private Road Lots. In addition to the Regular Annual Assessments and Private Road Assessments authorized in Section 3(a) and (b), above, the Board may levy, in any Assessment year, special Assessments against Private Road Lot Owners applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of capital improvements and related fixtures and personal property in connection with the maintenance of the Private Roads; security measures (including mechanical gate or gate house), entrance monumentation, and improvements, additional landscaping, lighting and irrigation systems, if any, and any

associated or related improvements serving same; provided, however, any such Assessment shall be in the ratio between Class A and Class B Lots as set forth in Section 3(a) above; and provided further, that such Assessment may not be levied for that fiscal year without (i) if a two-class voting structure is in effect, the vote or written consent of a majority of Class B Members and a majority of Class A Members who are Private Road Lot Owners, or (ii) if a two-class voting structure is not in effect, the vote or written consent of a majority of Members who are Private Road Lot Owners. Notwithstanding the foregoing, the Board may elect to levy a Special Assessment against a certain Neighborhood of Private Road Lots for a Special Assessment to be used only for that certain Neighborhood of Private Road Lots, hereinafter "Special Neighborhood Assessment for certain Private Road Lots," provided that such Special Neighborhood Assessment for certain Private Road Lots must be approved by than no less than 2/3rd of the votes of the Owners of the Private Road Lots in that certain Neighborhood of Private Road Lots.

(c) Private Driveway Lots. In addition to the Regular Annual Assessments and Private Driveway Assessments authorized in Section 3(a) and (c), above, the Board may levy, in any Assessment year, special Assessments against all Private Driveway Lot Owners applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of capital improvements and related fixtures and personal property in connection with the maintenance of the Private Driveways; security measures (including mechanical gate or gate house), entrance monumentation, and improvements, additional landscaping, lighting and irrigation systems, if any, and any associated or related improvements serving same; provided, however, any such Assessment shall be in the ratio between Class A and Class B Lots as set forth in Section 3(a) above; and provided further, that such Assessment may not be levied for that fiscal year without (i) if a two-class voting structure is in effect, the vote or written consent of a majority of Class B Members and a majority of Class A Members who are Private Driveway Lot Owners, or (ii) if a two-class voting structure is not in effect, the vote or written consent of a majority of Members who are Private Driveway Lot Owners. Notwithstanding the foregoing, the Board may elect to levy a Special Assessments against a certain Neighborhood of Private Driveway Lots for a Special Assessment to be used only for that certain Neighborhood of Private Driveway Lots, hereinafter "Special Neighborhood Assessment for certain Private Driveway Lots," provided that such Special Neighborhood Assessment for certain Private Driveway Lots must be approved by than no less than 2/3rd of the votes of the Owners of the Private Driveway Lots in that certain Neighborhood of Private Driveway Lots.

(d) Townhome Lots. In addition to the Regular Annual Assessments and Townhome Assessments authorized in Section 3(a) and (d), above, the Board may levy, in any Assessment year, special Assessments against all Townhome Lot Owners applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of capital improvements and related fixtures and personal property in connection with the exterior maintenance of Townhome Lots and the Private Streets and parking areas; security measures (including mechanical gate or gate

house), entrance monumentation, and improvements, additional landscaping, lighting and irrigation systems, if any, and any associated or related improvements serving same; provided, however, any such Assessment shall be in the ratio between Class A and Class B Lots as set forth in Section 3(a) above and provided further, that such Assessment may not be levied for that fiscal year without (i) if a two-class voting structure is in effect, the vote or written consent of a majority of Class B Members and a majority of Class A Members who are Townhome Lot Owners, or (ii) if a two-class voting structure is not in effect, the vote or written consent of a majority of Members who are Townhome Lot Owners. Notwithstanding the foregoing, the Board may elect to levy a Special Assessments against a certain Neighborhood of Townhome Lots for a Special Assessment to be used only for that certain Neighborhood of Townhome Lots, hereinafter "Special Neighborhood Assessment for certain Townhome Lots," provided that such Special Neighborhood Assessment for certain Townhome Lots must be approved by than no less than 2/3rd of the votes of the Owners of the Townhome Lots in that certain Neighborhood of Townhome Lots.

(e) Other Type of Lots. The Declarant shall have the right to provide for the levy and collection of special assessments against a certain Neighborhood of Lots or Other Type Lots in The Palisades. The Supplementary Declaration or Additional Declaration annexing Additional Property or a portion thereof into The Palisades executed pursuant to Sections 2 and 3 of Article II hereinabove may provide for special assessments for such section of Lots or Other Type Lots. For example, Declarant may decide to develop a certain section of Lots as equestrian lots and shall have the right to subject such lots, or Lot Owners using the equestrian facilities, to a special assessment for "equestrian lots." In the event, Declarant constructs condominium or condominium units in The Palisades, Declarant shall have the right to subject such condominium units to a special assessment.

(f) Due Date of Special Assessments. The due date of any Special Assessment levied pursuant to this Section 3 shall be fixed in the Board resolution authorizing such Special Assessment. Upon the establishment of a Special Assessment, the Board shall send written notice of the amount and due date of such Special Assessment to each Owner, including the Approved Builders and the Declarant, as applicable, at least thirty (30) days prior to the date such Special Assessment is due.

Section 5.

(a) Special Individual Assessments. The Board may levy Special Assessments against individual Owners ("Special Individual Assessments") (i) for the purpose of paying for the costs of any construction, reconstruction, repair or replacement of any damaged component of the Common Areas, including Limited Common Areas, Private Roads and Private Driveways (and further including Sidewalk, Landscape and Private Driveway Easement and Private Road Entrance Landscape and Maintenance Easement) occasioned by the act of a Lot Owner, his family, tenants, guests or agents, and not the result of ordinary wear and tear; (ii) for payment of fines, penalties or other charges imposed against an individual or separate Owner relative to such Owner's failure to comply with the terms and provisions of this Declaration, the Bylaws or any rules or regulations promulgated hereunder,

including, without limitation, penalties assessed by the Architectural Control Committee pursuant to the Architectural Design Guidelines, reimbursement to the Architectural Control Committee for any sums it expends on an Owner's behalf pursuant to the Architectural Design Guidelines, and reimbursement to the Association for all expenses incurred in connection with the enforcement of the provisions of Article XI; (iii) for the purpose of reimbursing the Association for costs (including attorney's fees) incurred in bringing the Owner, his Lot or his residence into compliance with the provisions of this Declaration, any Declaration of Restrictions, the ByLaws or the Rules and Regulations; and (iv) for payment of particular or additional services provided to particular Lots. Provided, however, Declarant shall not be obligated to pay any Special Individual Assessment except with Declarant's prior written approval. The due date of any Special Individual Assessment levied pursuant to this Section 5 shall be fixed in the Board resolution authorizing such Special Individual Assessment. Upon the establishment of a Special Individual Assessment, the Board shall send written notice of the amount and due date of such Special Individual Assessment to the affected Owner(s) or the Declarant, as applicable, at least thirty (30) days prior to the date such Special Individual Assessment is due.

(b) Water Assessments. The Board shall levy Water Assessments against individual Owners of any Lots in a Neighborhood of The Palisades with a master water meter for such Neighborhood for the purpose of collecting each Owner's share of the Association's municipal water/sewer bill as measured by an individual water meter for each Lot and for the purpose of collecting the administrative expenses and maintenance expenses for the metering devices. The Water Assessment may be levied monthly, quarterly or annually and may be prebilled as determined by the Board. Metering and administration (reading, invoicing, etc.), of individual Lot water usage shall be provided by the Association (or its management company) and/or a third-party entity selected by the Board. Each such Lot shall have a metering device for measuring water usage. It is anticipated that the only Lots served by a master water meter will be Private Road Lots (with the exception of Townhome Lots which water may or shall be included in the Townhome Assessments), provided however, Declarant may include a master water meter system with separate individual water meters in other Neighborhoods of The Palisades, in which event such Neighborhoods shall be subject to a Water Assessment.

(c) Sewer Assessments. In addition to the Regular Annual Assessment, Private Road Assessments, Private Driveway Assessments Townhome Assessments, Condominium and Other Lot Assessments each Lot served by a private sanitary sewer system may be subject to a Sewer Assessment which for the first Assessment year shall be a maximum of \$600.00 per Lot, or in the alternative, the Board may levy Sewer Assessments against individual Owners of any Lots served by a private sanitary sewer system based on measured, or estimated, usage as determined by the Board. The private sanitary sewer system may include low pressure sewer lines, lift stations and other sanitary sewer system improvements to be maintained by the Association to the point where such private sewer system becomes a part of the Charlotte/Mecklenburg Utility Department ("CMUD") public sanitary sewer

system. The Sewer Assessment shall pay for the cost of operating, maintaining, repairing and replacing any such private sanitary sewer system which shall be maintained by the Association pursuant to Section 1 of Article XI. The Association is required to maintain the private sanitary sewer system from the point of output from the grinder pump for each such Lot to the point of maintenance by CMUD. The purpose of the Sewer Assessment is to pay the cost of the operation, maintenance, repair and replacement of all parts of the private sanitary sewer system including sewer lines and pipes, wherever located, private lift stations and other sanitary sewer system improvements used as a part of the private sanitary sewer system, but not including the grinder pump which is to be maintained by the Lot Owner and for any usage or flowage charges by CMUD for the private sanitary sewer system.

The Sewer Assessment may be levied monthly, quarterly or annually and may be prebilled as determined by the Board. Any metering and administration (reading, invoicing, etc.), of individual Lot sewage usage shall be provided by the Association (or its management company) and/or a third-party entity selected by the Board. Each such Lot may have a metering device for sewage usage located with the sewer line providing sanitary sewer service to the Lot or house.

(d) Trash Assessments. The Board shall have the right to levy Trash Assessments against individual Owners of Lots receiving private trash collection from a private trash collection company pursuant to a contract entered into between such company and the Association. The Trash Assessment shall be for the purpose of collecting each such Owners' share of the Association's trash collection invoice from the private trash collection company. The Trash Assessment may be levied monthly, quarterly or annually and may be prebilled as determined by the Board.

(e) Other Assessments. The Declarant shall have the right to provide for other assessments that the Declarant deems necessary and/or desirable to provide certain services to a certain section of Lots or Other Type Lots in The Palisades by providing for such assessments in a Supplementary Declaration or an Additional Declaration for additional property executed pursuant to Sections 2 and 3 of Article II hereinabove. For example, Declarant may decide to develop a certain section of Lots as equestrian lots and subject such lots, or Lot Owners using the equestrian facilities, to an equestrian assessment.

Section 6. Assessment Rate. Except for the difference between Class A and Class B Lots, and except for the differences the Board may elect to make between different Neighborhoods and/or types of lots in The Palisades as set forth hereinabove in this Article V, Regular Annual Assessments, Private Road Assessments, Private Driveway Assessment, Townhome Assessments, Special Assessments, Condominium Assessments and Other Assessments shall be fixed at a uniform rate for all Lots and shall be collected on an annual, quarterly or monthly basis as determined by the Board, provided however, all assessments set forth in Section 5 hereof may be vary Lot by Lot.

Section 7. Notice of Quorum for any Action Authorized Under Sections 3(e) and 4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3(g) and 4 of this Article shall be sent to all Members for Section 3(g) and Section 4(a) actions and the applicable Members for Section 4(b), (c), (d) and (e) actions no less than thirty (30) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast forty (40%) percent of all the votes appurtenant to Class A and B Lots shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice or requirement, and if the same is called for a date not later than sixty (60) days after the date of the first meeting, the required quorum at the subsequent meeting shall be one-half (½) of the required quorum at the preceding meeting.

Section 8. Commencement of Regular Annual Assessments. The Regular Annual Assessment for each Lot shall commence on the first day of the month following the month of closing of the transfer of the Lot from Declarant to an Approved Builder or the closing of the transfer of the Lot from Declarant to an Owner who is not an Approved Builder. The initial Regular Annual Assessment shall be for the calendar year beginning January 1, 2004. The Regular Annual Assessment for Lots which are recorded after January 1, 2004, or during calendar years after 2004 shall be pro-rated for that year, beginning on January 1st of that year. At such time as Declarant transfers ownership of a Lot to an Owner, the new Lot Owner will be responsible for payment of one hundred (100%) percent of the Regular Annual Assessment due for the remainder of the calendar year in which the Lot transfer occurs. All Regular Annual Assessments shall be payable in advance in equal installments as determined by the Board. Failure to mail notices by the dates required shall not affect the rights of the Association to assess Lots as provided herein.

It shall be the duty of the Board of the Association to fix the amount of the Regular Annual Assessment applicable to each Lot. The Board shall make reasonable efforts to fix such amounts, in advance, by the first day of December of each year, and shall, at that time, prepare a roster of the Lots and Regular Annual Assessments applicable thereto, which shall be kept in the office of the Association and shall be open to inspection by any Lot Owner upon reasonable notice to the Board. Written notice of the Regular Annual Assessment shall thereupon be sent to the Owners of any Lot subject thereto. Regular Annual Assessments shall be due and become a lien on each Lot on January 15th of each year. Failure to mail notices by the dates required shall not affect the right of the Association to assess Lots as provided herein. The omission of the Board to fix the Regular Annual Assessment hereunder for that or the next year, shall not be deemed to waive or modify in any respect any of the provisions of this Declaration, or to release any Owner from the obligation to pay the Regular Annual Assessment due from such Owner for that or any subsequent year and the Regular Annual Assessment fixed for the preceding year shall continue until new Regular Annual Assessments are fixed.

Notwithstanding Sections 1 and 8 hereof, Rhein Palisades, LLC or its designated successor, may, at its election, postpone, in whole or in part, the date on which the Regular Annual Assessments shall commence provided that the Declarant maintains the Common Areas for which no Regular Annual Assessment is being collected during the period of such postponement.

Section 9. Payments by Declarant in Lieu of Annual Assessments. Notwithstanding the provisions of this Article V, for calendar years beginning prior to the Turnover Date, in lieu of the payment of Assessments, Declarant, at its option, may elect to be responsible to pay for each such calendar year that portion of the annual expenses of the Association (excluding any reserves) which exceeds the total amount of the Assessments paid by the Owners other than Declarant. For calendar years beginning after the Turnover Date, Declarant shall be responsible for paying Assessments set forth in this Article V.

Section 10. Capitalization of Association (Working Capital). Upon conveyance of a Lot from an Approved Builder to an Owner or upon conveyance of a deed from Declarant to an Owner other than a Approved Builder, each such Owner shall contribute to the working capital of the Association an amount equal to the Regular Annual Assessment then applicable to the Lot, which amount shall be paid by such Owner at the closing of the Lot purchase; shall be disbursed to the Association; shall not be considered as an advance payment of any Assessment; and shall not be refunded to an Owner upon the subsequent resale of a Lot. These funds shall not be used by Declarant to defray any of its construction or development expenses. These funds may be used by the Association for common expenses of the Association and for the purpose of purchasing Common Area furnishings, equipment and supplies and other approved Association expenditures.

Section 11. Non-Payment of Assessment. Any Assessment levied pursuant to these covenants which is not paid on the date when due shall be delinquent and shall, together with such interest thereon and cost of collection thereof, as hereinafter provided, including reasonable attorney's fees, thereupon become a continuing lien which shall bind such Lot in the hand of the then Owner, his heirs, devisees, personal representative and assigns. The personal obligation of the then Owner to pay such Assessment, however, shall remain his personal obligation and shall not pass to his successors in title unless expressly assumed by them. Interest on delinquent Assessments shall be charged at the lessor of one and one-half percent (1.5%) per month or the highest rate permitted by law.

Any Assessment not paid within thirty (30) days after the due date shall be subject to a late charge of Ten and No/100 (\$10.00) Dollars per month or the highest amount permitted by law, whichever is less; and the Association may bring an action at law against the Owner personally obligated to pay the same, or to foreclose the lien against the Lot as provided in Section 47F-3-116 of the Act and interest, late payment charges, costs and reasonable attorney's fees related to such action or foreclosure shall be added to the amount of such Assessment. No Owner may waive or otherwise escape liability for the Assessments provided for herein by not using the Common Areas or by abandoning his Lot.

Section 11. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust on a Lot. Sale or transfer of any Lot shall not affect any Assessment lien. However, the sale or transfer of any Lot which is subject to any 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

became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

Section 12. Exempt Property. All property dedicated to, and accepted by, a local 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.

Section 13. Reserves. The Regular Annual Assessments shall, as determined by the Board, include reasonable amounts as reserves for the future periodic maintenance, repair and/or replacement of all or a portion of the Common Areas or Maintenance Areas and any improvements located thereon and any improvements which are maintained by the Regular Annual Assessments. In addition, the Board shall establish and maintain (i) a private road maintenance reserve account to provide for future maintenance and replacement of Private Roads and associated and related improvements (hereinafter "Private Road Reserve"); (ii) a private driveway maintenance reserve account to provide for future maintenance and replacement of Private Driveways and associated and related improvements (hereinafter "Private Driveway Reserve"); and (iii) a Townhome maintenance reserve account to provide for future maintenance and replacement of improvements located on Townhome Lots and of private streets, parking areas, roadways, cartways and related amenities servicing the Townhome Lots (hereinafter "Townhome Reserve"). Each budget subsequently adopted by the Board shall provide for funds to be placed in reserves in at least the amount of reserves established in the initial budget unless a lower level of reserves is approved by the vote or written consent of a majority of the Members for Common Area Reserve or by the vote or written consent of a majority of the applicable Owners of Private Road Lots, Private Driveway Lots or Townhome Lots for their respective reserves. Funds deposited in reserve for a particular purpose shall be held for that purpose and shall not be expended for any other purpose without (i) if a two-class voting structure is in effect, the vote or written consent of a majority of the Members of each class of Members, or (ii) if a two-class voting structure is not in effect, the vote or written consent of a majority of the total Members of the Association for Common Area Reserves or by the vote or written consent of the applicable Owners of Private Road Lots, Private Driveway Lots or Townhome Lots for their respective reserves, except that if the Board determines that funds held in reserve for a particular purpose exceed an amount reasonably required as a prudent reserve for that purpose, then, without the vote or written consent of Members, the excess may be allocated to any other reserve fund established by the initial budget of the Association and expended for the purpose for which such other reserve fund has been established. Notwithstanding the foregoing, the Board of Directors may establish different reserve requirements for different Neighborhoods of Private Road Lots, Private Driveway Lots, Townhome Lots and/or Other Type Lots to reflect the particular needs or requirements of a specific Neighborhood of The Palisades.

The Declarant shall have the right to provide for reserves that the Declarant deems necessary and/or desirable for certain type Lots or for a particular Neighborhood of Lots in The Palisades by providing for such reserves in a Supplementary Declaration or an Additional Declaration for

additional property executed pursuant to Sections 2 and 3 of Article II hereinabove. For example, Declarant may decide to develop a certain Neighborhood of Lots as equestrian lots and establish a reserve for "equestrian" Lots.

ARTICLE VI

EASEMENTS

Easements for installation and maintenance of driveway, walkway, parking area, water line, gas line, cable television, telephone, electric power line, sanitary sewer and storm drainage facilities and for other utility installations are reserved as shown on the recorded plat(s). Further, easements ten feet in width for such purposes are reserved over, under and through and along the rear Lot lines of all Lots shown on recorded plats, and easements five feet in width for such purposes are reserved over, under and through and along all side Lot lines of all Lots shown on recorded plats, as well as easements ten (10) feet in width along the front Lot lines for construction, maintenance and repair purposes; **PROVIDED HOWEVER**, that the reserved easements shall never be greater than the required building set back lines shown or noted on any recorded map of the Property or required by any applicable zoning ordinances, i.e., in the event the side set back line for a Lot is three (3) feet, then the maximum width of the reserved easement is also three (3) feet. In addition, all Lots are subject to a sidewalk, landscape and irrigation easement from the Public or Private Road rights-of-way to the front (and side at corner Lots) building wall of the principal structure. In the event it is determined that other and further easements are required over any Lot or Lots in locations not shown on the recorded plat and not along rear or side Lot lines, such easements may be established by the Declarant, except that if any such easements are reserved or established after the conveyance of a Lot or Lots to be affected thereby, the written assent of the Owner or Owners of such Lot or Lots and of the trustees and mortgagees in deeds of trust constituting a lien thereon shall be required. Within any such easements above provided for, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation, delivery and maintenance of public utilities, or which may obstruct or change the direction of flow of drainage channels in the easements or which may obstruct or retard the flow of water through drainage channels in the easements, unless approved in writing by the Architectural Control Committee and all public authorities having jurisdiction. Any improvements or obstructions placed within easements shall be subject to removal or relocation without replacement as may be necessary for emergency service or maintenance operations by the Association or appropriate governmental authority. Such approved improvements shall be done at the Lot Owner's risk of removal.

ARTICLE VII

INSURANCE

Section 1. Insurance Requirements under the Act. Section 47F-3-113 of the Act requires certain insurance to be carried by the Association and provides for the distribution of insurance proceeds, requires certain provisions for property and liability insurance and governs repairs made

with insurance proceeds. Sections 1(a), (b), (c) and (d) of this Article VII set forth the requirements of Section 47F-3-113 of the Act. In the event the insurance requirements set forth in the Act or any portion of the Act are changed, amended or deleted, the insurance requirements set forth in Sections 2 through 5 of this Article VII shall likewise be changed, amended or deleted to conform with the insurance provisions of the Act without the requirement of a formal amendment to this Declaration.

(a) Property Insurance. The Association shall maintain, to the extent reasonably available, property insurance on the Common Area insuring against all risks of direct physical loss commonly insured against including fire and extended coverage perils. The total amount of insurance after application of any deductibles shall not be less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies. Any loss covered by this property insurance shall be adjusted with the Association, but the insurance proceeds for that loss are payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any mortgagee or beneficiary under a deed of trust. The insurance trustee or the Association shall hold any insurance proceeds in trust for Owners and lienholders as their interests may appear. The proceeds shall be disbursed first for the repair or restoration of the damaged property, and Owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the planned community is terminated.

(b) Liability Insurance. The Association shall maintain, to the extent reasonably available, liability insurance in reasonable amounts, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the Common Area. The liability insurance shall be for the benefit of the Owners, occupants, the Association, the Board, the managing agent, if any, the Declarant, and their respective officers, directors, agents, and employees in such amounts and with such coverage that shall be determined by the Board; provided that the liability insurance shall be for at least One Million Dollars (\$1,000,000.00) per occurrence for death, bodily injury and property damage. The Board may, in its sole discretion, may obtain an umbrella liability policy in such amounts determined by the Board to provide additional liability insurance to the Association and to its members and Lot Owners.

(c) Required Provisions for Property and Liability Insurance. Insurance policies carried pursuant to subSections (a) and (b) above shall provide that:

(i) Each Owner is an insured person under the policy to the extent to the Owner's insurable interest;

(ii) The insurer waives its right to subrogation under the policy against any Owner or member of the Owner's household;

(iii) No act or omission by any Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy; and

(iv) If, at the time of a loss under the policy, there is other insurance in the name of the Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

(d) Insurance Repairs. Any portion of the planned community for which insurance is required under subSections (a) and (b) hereinabove which is damaged or destroyed shall be repaired or replaced promptly by the Association unless: (a) the planned community is terminated; (b) repair or replacement would be illegal under any State or local health or safety statute or ordinance; or (c) the Owners decide not to rebuild by an eighty percent (80%) vote. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense if any portion of the planned community is not repaired or replaced, (a) the insurance proceeds attributable to the damaged Common Area shall be used to restore the damaged area to a condition compatible with the remainder of the planned community; (b) the insurance proceeds attributable to limited common elements which are not rebuilt shall be distributed to the Owners of the Lots to which those limited common elements were allocated, or to lienholders, as their interests may appear; and (c) the remainder of the proceeds shall be distributed to all the Lot Owners or lienholders, as their interests may appear, in proportion to the common expense liabilities of all the Lots. Notwithstanding the provisions of this Section 5, Section 47F-2-118 (termination of the planned community) governs the distribution of the insurance proceeds if the planned community is terminated.

Section 2. By All Lot Owners Other than Townhome Lot Owners. Each Lot Owner, other than Townhome Lot Owners, shall procure and maintain fire and extended coverage insurance as follows:

(a) Coverage. Each single family dwelling and other improvements (including any outbuilding and/or fencing) located upon a any Lot, other than a Townhome Lot, shall be insured in an amount equal to one hundred percent (100%) of its insurable replacement value. Such coverage shall provide protection against:

- (i) Loss or damage by fire and other hazards, including extended coverage, vandalism and malicious mischief; and
- (ii) Such other risks as from time to time shall be reasonably required by the Association.

(b) Liability. Public liability insurance with limits of liability of no less than Three Hundred Thousand and NO/100 Dollars (\$300,000.00) per occurrence.

All policies shall name the Association as one of the insured and copies of said policies and renewals thereof shall be furnished to the Association upon request. Upon failure of a Lot Owner, other than a Townhome Lot Owner, to procure the required coverage or to promptly pay the premiums due thereon, the Association may, but is not required to, procure such insurance and/or to pay the premiums due thereon (as the case may be) and the amount of such premium shall be due and payable to the Association on or before the first day of the calendar month following payment of same by the Association, failing which such indebtedness shall become a lien on the Owner's Lot and collectible by the Association, as in the case of unpaid Assessments as in Article V provided.

Section 3. By Association for Townhome Lots. The Association shall procure and maintain insurance coverage for Townhome Lots as follows; **PROVIDED HOWEVER, Declarant shall have the right to unilaterally amend this Section of the Declaration prior to the conveyance of any completed townhome dwelling on a Townhome Lot to an individual Owner to provide for changes in the insurance requirements for Townhome Lots only such as requiring each Townhome Lot Owner to maintain insurance fire and extended coverage casualty insurance and liability insurance on their Townhome Lot and improvements:**

(a) The Association shall have the duty and the authority to maintain fire and extended coverage casualty insurance on the buildings and improvements located upon the Townhome Lots and Limited Common Area - Townhome Lots in an amount not less than the full insurable value thereof (based upon current replacement cost), and liability insurance with limits in and amounts adequate, under standards in the insurance industry existing from time to time, to protect the Association and the Townhome Lot Owners in the event of property damage, personal injury or death occurring in or about the Townhome Lots or Limited Common Areas - Townhome Lots. Provisions shall be made for the issuance of certificates of mortgagee endorsements to the Mortgagees of Townhome Lot Owners. The Board shall have the authority to settle or enforce on behalf of the Association and on behalf of the Owners, by legal action or otherwise, any claim arising under any insurance carried by the Association.

(b) Premiums for insurance policies purchased by the Association for Townhome Lots shall be paid by the Association and shall be included as part of the Townhome Assessments provided for in Article V, Section 3(d) hereof. Townhome Lot Owners may, at their option, purchase at their cost and expense, insurance coverage upon their own personal property and for the personal liability and such other coverage as they may desire.

Section 4. Insufficient Proceeds. If the insurance proceeds received by the Association are insufficient to reimburse, to repair and/or replace any damage or destruction to person or property, the Board may levy a Special Assessment against the Owners to cover the deficiency.

Section 5. Owner's Personal Property. The Association or Declarant shall not be liable in any manner for the safekeeping or condition of any personal property belonging to or used by any Owner or his family, guests or invitees, located on or used at the Common Areas. Further, the Association or Declarant shall not be responsible or liable for any damage or loss to any personal property of any Owner, his family, guests or invitees located on or used at the Common Areas. Each

Owner shall be solely responsible for all personal property and for any damage thereto or loss thereof, and shall be responsible for the purchase of, at such Owner's sole cost and expense, any liability or other insurance for damage to or loss of such property.

Section 6. No Obligation to Insure Owners' Property, Except as Provided in this Article VII. By virtue of taking title to a Lot within the Project, each Owner acknowledges that neither the Association nor Declarant has any obligation to provide any insurance for any portion of such Lot or any Improvement located thereon.

Section 7. Security. The Association may, in its sole discretion, but shall not be obligated to, provide certain security and fire protection measures, and maintain or support certain other activities within the Project designed to make the Project safer than it might otherwise be. Provided, however, should the Association provide, maintain or support any such measures or activities, then neither the Association, Board, Declarant, nor any successor of Declarant shall in any way be considered insurers or guarantors of security or fire protection within the Project, and neither the Association, Declarant nor any successor of Declarant shall be held liable for any loss or damage by reason or failure to provide or take any security or fire protection measures or for the ineffectiveness of any such measures undertaken. Each Owner and Occupant of any Lot and each tenant, guest and invitee thereof acknowledges and understands that neither the Association, Board, Declarant nor any successor of Declarant are insurers, and each such Owner, and Occupant of a Lot, and their tenants, guests and invitees hereby assume all risks for loss or damage to persons, property or contents belonging to any such persons.

ARTICLE VIII

USE RESTRICTIONS

Lots in The Palisades will be made subject to certain Use Restrictions by the filing of individual Declaration of Restrictions on a plat by plat basis after the recordation of a plat of The Palisades and at the same time of the recording of a Supplementary Declaration annexing such recorded plat into The Palisades. The Association shall have the right to enforce any provision of a Declaration of Restrictions the same as if such restrictions were set forth in this Article VIII.

ARTICLE IX

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Neither Declarant, nor any Member, nor the Board, nor the Association, nor any officers, directors, agents or employees of any of them shall be personally liable for debts contracted for or otherwise incurred by the Association or for a tort of another Member, whether or not such other Member was acting on behalf of the Association or otherwise. Neither Declarant, nor the Association, nor their directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portions thereof or for

failure to repair or maintain the same. Declarant, the Association or any other person, firm or association making such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portions thereof.

The Association shall, to the extent permitted by applicable law, indemnify and defend all members of the Board from and against any and all loss, cost, expense, damage, liability, claim, action or cause of action arising from or relating to the performance by the Board of its duties and obligations, except for any such loss, cost, expense, damage, liability, claim, action or cause of action resulting from the gross negligence or willful misconduct of the person(s) to be indemnified.

The Association shall indemnify any director or officer or former director or officer of the Association or any person who may have served at the request of the Association as a director or officer of another corporation, whether for profit or not for profit, against expenses (including attorneys' fees) or liabilities actually and reasonably incurred by him in connection with the defense of or as a consequence of any threatened, pending or completed action, suit or proceeding (whether civil or criminal) in which he is made a party or was (or is threatened to be made) a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of a duty.

The indemnifications provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, bylaw, agreement, vote of members or any disinterested directors or otherwise and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Association shall make efforts to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability.

The Association's indemnity of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his behalf by the Association or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Article IX, or in the Bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

ARTICLE X

ARCHITECTURAL CONTROL COMMITTEE

Section 1. Establishment. Declarant, or its designated assigns, shall establish an Architectural Control Committee (the "ACC" or "Committee") to perform the architectural review functions set forth in this Declaration and shall adopt the procedural rules and regulations for the performance of such duties by the ACC, including procedures for the preparation, submission and determination of the application for any approvals required by this Declaration. The ACC shall consist of not less than three (3) nor more than seven (7) members, each serving such terms as shall be determined by Declarant or the Association, as applicable, with such alternate members as Declarant may deem necessary. Declarant, or its designated assigns, shall appoint all of the original members of the ACC and shall continue to appoint all members of the ACC until Declarant and Approved Builders no longer own any Lot or any portion of the property described in Exhibit A or Exhibit B to this Declaration, at which time the Board of the Association shall have the power to appoint all of the members of the ACC. The appointees of the Board or Declarant need not be Members of the Association, architects, Owners, lessees or residents and do not need to possess any special qualifications of any type except such as the Board or Declarant may, in their discretion, require; provided however, that at least one member of the ACC must be a licensed architect or landscape architect, developer or other member of a profession engaged in the construction or development industry; and provided further, that after Declarant no longer has the right to appoint the members of the ACC, at least one Owner of each type of Lot (Private Road Lot, Private Driveway Lot, Townhome Lot and Other Type Lot) shall be a member of the ACC. In addition, each Neighborhood is encouraged to elect or appoint an Advisory Committee for its Neighborhood to advise Declarant, the ACC or the MRC on matters arising in its Neighborhood under this Article X. The ACC shall hold regular meetings, a quorum for such meeting shall consist of a majority of the regular members, and the concurrence of a majority of the regular members at a meeting shall be necessary for any decision of the ACC. An alternate member, approved by Declarant may participate at any meeting at which there is not a quorum of regular members present, may constitute a quorum by his (their) presence and shall have all of the authority of a regular member while so participating.

(a) Establishment of Modifications Review Committee. Notwithstanding the provisions contained in this Section 1 or any other provision in this Declaration, Declarant shall have the right, but not the obligation, to appoint or authorize the Board of the Association to appoint a Modifications Review Committee (hereinafter the "MRC") to consist of not less than three nor more than five members, each serving one year terms or at the discretion of the Declarant or Board after transfer of control from Declarant to Board. The MRC, if established, shall have exclusive jurisdiction over modifications, additions or alterations to structures or improvements made on or to any Lot (hereinafter "Modifications") after the initial construction by an Approved Builder and after closing of an improved Lot from an Approved Builder to an Owner.

In the event the MRC is established, the provisions of Section 2. Review By Committee; Section 5. Fee; Section 7. No Waiver; Section 8. Variance; Section 9. Violation of Approved Plans and Right of Entry; Section 10. Non-Liability for Approval of Plans; and Section 11. Compliance with Laws, shall apply to the MRC and, as pertaining to Modifications only, all references to the ACC shall be deemed to refer to the MRC as to Modifications.

The MRC shall have no authority, power or jurisdiction over any Lot owned by Declarant or an Approved Builder. In addition, Declarant shall have the right, as long as it or any Approved Builder owns a Lot in Palisades Residential Property, to dissolve the MRC at any time by giving written notice to the Board of the Association.

(b) Declarant's Election not to Form the ACC During Declarant Control Period. The Declarant has the right, but not the obligation, to form the Architectural Control Committee set forth in Section 1 hereinabove and provided for in the other sections of this Article X. Declarant shall have the right to choose not to form the ACC for purposes of initial new construction and may act as the ACC, without the formalities and requirements of this Article X, for the purpose of approving the initial construction of dwellings within The Palisades. In the event Declarant chooses not to form the ACC, Declarant may appoint a MRC to consider Modifications after the initial construction and closings of an improved Lot.

Section 2. Review by Committee. Notwithstanding anything contained in this Declaration to the contrary, no Improvements (as defined in Section 12), including, without limitation, site preparation on any Lot, change in grade or slope of any Lot, or erection of buildings or exterior additions or alterations to any building situated upon the Property, erection of or changes or additions in fences, hedges, walls and other structures, any landscaping, or any cutting of trees on any Lot, shall be commenced, erected or maintained on any portion of the Property until: (a) the Architectural Control Committee has approved the plans and specifications therefor and the location of such Improvements and has given its written approval for commencement of construction, all in accordance with the terms and requirements in the Architectural Design Guidelines; and (b) the fees set forth in or contemplated in this Article X have been paid. In addition to any standards established pursuant to this Declaration, Declarant may establish, by Additional Declarations, architectural and landscaping control standards, guidelines and restrictions in regard to various Phases or Sections of the Property. The provisions of this Article X shall not apply to the construction of any Improvements commenced, erected or maintained by Declarant on any Lot or upon any of the Common Areas or Maintenance Areas. In addition, no alteration or modification to an existing dwelling unit any other structure previously approved by the ACC whether dwellings, buildings, gazebos, storage sheds, room additions, ramadas, rooms, fences, walls, canopies, statuary, awnings, roofs, devices to be mounted on roofs, exterior lighting facilities, recreational/athletic facilities, changes in exterior paint color, or other similar improvements or attachments shall be constructed and no alteration of the established drainage on a Lot shall be made unless complete plans and specifications therefor have been first submitted to and approved in writing by the ACC The ACC

shall exercise its best judgment (neither arbitrarily nor capriciously) to the end that all such changes, improvements and alterations requested for properties within the Property conform to and harmonize with the existing surroundings, dwellings, landscaping and structures. Final plans and specifications shall be submitted in duplicate to the Committee. The plans and specifications shall show the nature, kind, shape, height, materials and location of all improvements and landscaping. The documents shall specify any requested variance from the set back lines, garage location or any other requirement set forth in this Declaration. At such time as the plans meet the approval of the Committee one complete set will be retained by the Committee and the other set shall be marked approved on behalf of the Committee and returned to the Owner or his designated representative. If disapproved by the Committee one set of such plans shall be returned marked "disapproved" and shall be accompanied by a statement setting forth the reasons for disapproval. In no event shall the Committee give verbal approval or disapproval of any plans. If the Committee fails to approve or disapprove such plans and specifications within thirty (30) days after the date of receipt of same by ACC, written approval of the matter submitted shall not be required and compliance with this Article shall be deemed to have been completed, so long as the submission does not otherwise violate or fail to conform to any restrictions or requirements of this Declaration or previously established requirements of the ACC in which event the submission shall be deemed disapproved by the Committee. An Owner submitting plans to the Committee shall have the burden of establishing the date upon which the Committee received said plans.

Section 3. Subcommittee. The Architectural Control Committee with the advice and consent of the Board is herein empowered to form a subcommittee to the Architectural Control Committee the ("Sub ACC" or "Subcommittee") comprised of Members of the Association. The Subcommittee shall be comprised of such number of Members as the ACC deems reasonable and necessary in order to carry out its function. The ACC shall be entitled to delegate to the Subcommittee such responsibilities and activities as the ACC, in its discretion, shall determine, including but not limited to the ability to preview submittals to the ACC and make non-binding recommendations thereon. Such Subcommittee shall serve at the discretion of the ACC and/or the Board and may or may not be continued following transfer of control of the ACC to the Association.

Section 4. Appeal. Any Owner aggrieved by a decision of the Sub ACC may appeal the decision to the ACC in accordance with procedures to be established by the ACC. Such procedures would include the requirement that the appellant has modified the requested action or has new information which would in the ACC's opinion warrant a reconsideration. If the ACC fails to allow an appeal or if the ACC, after appeal, again rules in a manner aggrieving the appellant, the decision of the ACC is final. Any Owner aggrieved by a decision of the MRC may appeal the decision to the ACC in accordance with procedures to be established by the ACC. If the ACC fails to allow an appeal or if the ACC after appeal, again rules in a manner aggrieving the appellant, the decision of the ACC is final.

Section 5. Fee. The Board may establish reasonable non-refundable processing fees to cover the costs of the Association in considering any requests for approvals and/or any appeals under

Section 4 hereof submitted to it, which fees may be changed from time to time by the Board and shall be paid at the time the request for approval is submitted.

Section 6. Architectural Design Guidelines and Development Standards. The Declarant and/or the ACC may develop, publish and promulgate architectural standards and guidelines (hereafter "Architectural Design Guidelines") which shall be used by the ACC in reviewing any proposed plans, specifications and materials submitted to the ACC for approval. The Architectural Design Guidelines shall establish development standards setting forth the minimum standards for the design, size, location, style, structure, color, mode of architecture, mode of landscaping and relevant criteria deemed important by the ACC or by Declarant for the construction of improvements of any nature in the Property, and which may vary for different Phases or Sections of the Property with different housing types and different architectural themes. The purpose of such development standards will be to preserve and promote the character and orderly development of the Property while allowing diversity of design and architectural themes for different Phases or Sections of the Property. By acceptance of a deed to any Lot, each Owner thereof and his successors and assigns agrees to be bound by all provisions of such development standards as may be adopted by the ACC and to use diligence in keeping abreast of the provisions thereof and any amendments thereto.

Section 7. No Waiver. The approval or disapproval by the ACC of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval and consent of the ACC shall not be deemed: (a) to constitute a waiver of any right to approve or withhold approval or consent as to any similar proposals, plans and specifications, drawings, or matters whatever subsequently or additionally submitted for approval or consent not; (b) to prohibit the ACC from modifying and amending the Architectural Design Guidelines from time to time (with the approval of the Board) to specifically permit any improvement previously prohibited or (c) to prohibit any improvement previously permitted.

Section 8. Variance. The ACC may authorize variances from compliance with the Architectural Design Guidelines when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require. Such variances may only be granted, however, when unique circumstances dictate, as determined by the ACC, and no variance shall (a) be effective unless in writing or (b) estop the ACC from denying a variance in other circumstances.

Section 9. Violation of Approved Plans and Right of Entry. If it is determined by the ACC that a violation exists on a Lot, or that work completed on any Lot has not been completed in compliance with the final plans approved by the Committee, the Committee or the Association may notify the Owner in writing of such non-compliance within thirty (30) days of inspection, specifying in reasonable detail the particulars of non-compliance and may require the Owner to remedy the same. The Association shall have the right to enter upon the Lot of any Owner and to perform compliance or remedy non-compliance as ordered by the Committee and the cost of such performance or remedy shall be charged to the Owner of the Lot in question, which cost shall be due within ten (10) business days after receipt of written demand therefore. If the Owner fails to remedy such non-compliance or to commence and continue diligently toward achieving compliance,

Declarant or the Association (as their interests shall appear) shall notify the Owner that it shall take action to remove the non-complying improvements and/or seek injunctive relief, recovery of costs incurred, and imposition of a fine, which fine shall not exceed ten percent (10%) of the cost of achieving compliance.

Section 10. Non-Liability for Approval of Plans. Architectural Control Committee (and, if applicable, Declarant) approval of plans shall not constitute a representation, warranty or guarantee, whether express or implied, that such plans and specifications comply with good engineering design or with zoning or building ordinances, or other governmental regulations or restrictions. By approving such plans and specifications neither the Architectural Control Committee, the Members thereof, the Association, any Member thereof, the Board nor Declarant assumes any liability or responsibility therefore, or for any defect in any improvements constructed from such plans or specifications. Neither the Committee, any Member thereof, the Association, the Board nor Declarant shall be liable to any Member, Owner, occupant, or other person or entity for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective, or (b) the construction or performance of any work, whether or not pursuant to the approved plans, drawings and specifications.

Section 11. Compliance with laws. Review and approval of plans and specifications by the ACC shall not imply or infer compliance with any law, ordinance or regulation, or structural integrity or safety of any improvements described in any approved plans and specifications. Review and approval as provided in this Article is for aesthetic purposes only. It is each Owner's sole responsibility to plan and construct any and all improvements in a manner which complies with all applicable codes, statutes, laws, ordinance and regulations in compliance with any approval granted hereunder.

Section 12. Definition of "Improvements". The term "Improvement" or "Improvements" shall mean and include any and all man made changes or additions to a Lot, including, but not limited to, the location, materials, size and design of all buildings (including any exterior devices attached to or separate from buildings, such as heating and air conditioning equipment, solar heating devices, antennae, satellite dishes, etc.); storage sheds or areas; roofed structures; parking areas; fences; pet fencing; pet "runs," lines and similar tethers or enclosures; walls; irrigation equipment, apparatus and systems; landscaping (including cutting of trees); hedges; mass plantings; poles; driveways; statuary; ponds; lakes; changes in grade or slope; site preparation; swimming pools; hot tubs/spas; tennis courts; tree houses; basketball goals; skateboard ramps; and other sports or play apparatus; signs; exterior illumination; and changes in any exterior color or shape. The definition of Improvements includes both original Improvements and all later changes to Improvements. The definition of Improvements, however, does not include the replacement or repair of Improvements previously approved by the Architectural Control Committee, provided such replacement or repair does not change exterior colors, materials, designs or appearances from that which were previously approved by the Architectural Control Committee. .

Section 13. Duty to Complete Improvements. An Owner shall complete all approved improvements, subject to unforeseen circumstances and causes beyond the reasonable control of such Owner, as reasonably determined by the ACC within twelve (12) months following commencement of construction of such approved improvements.

Section 14. Declarant Control Period. Pursuant to Section 1 hereinabove, Declarant shall appoint all members of the ACC until so long as Declarant and any Approved Builder no longer own any Lot or portion of the Property described in Exhibit A or B to this Declaration. During such period of Declarant control, Declarant may elect to suspend the formalities, such as formal meetings, of the ACC set forth in this Article X.

ARTICLE XI

COMMON AREA AND LOT MAINTENANCE

Section 1. Maintenance by Association. The Association shall repair, maintain and replace as necessary the Common Area and all improvements, utilities and facilities located on the Common Area, including the Private Roads, Sidewalk, Landscape and Private Driveway Easement; Private Driveway Easements and Private Road Entrance Landscape and Maintenance Easement. The Association maintenance obligation with respect to Common Area shall arise upon completion of Common Area improvements, or any portion thereof, and the commencement of Assessments against the Owners. This obligation shall also include, without limitation, maintenance, repair and replacement of all landscaping and grass areas, fencing, Private Roads and Private Driveways, curbing and guttering related thereto, street lights, signage and other improvements and utilities situated on the Common Area.

The Association shall also maintain the Maintenance Areas set forth in Section 6 of this Article XI whether located on Lots or on Common Area. The Association shall repair, maintain and replace, as necessary, any portion of the private sanitary sewer system located throughout The Palisades from the point of output from a grinder pump to the point of maintenance by CMUD.

(i) Townhome Lot Maintenance by Association. In addition to maintenance upon the Common Area, the Association shall also provide exterior maintenance upon each Townhome Lot which is subject to Assessment hereunder, as follows: paint, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces [with the exception of entry doors (including garage doors, if any) and their appurtenant hardware and all exterior glass including windows and patio doors, all of which shall be maintained, repaired and replaced by the Townhome Lot Owner] landscaping (but excluding trees and other landscaping replacement which shall be the responsibility of the Townhome Lot Owner), grass, fencing, walks, driveways (as hereinafter limited) and other exterior improvements. Maintenance of any driveway constructed by Declarant upon any Townhome Lot shall extend only to the exterior face of the garage door, beyond which such maintenance, repair and replacement shall be the responsibility of such Townhome Lot Owner. Notwithstanding the

foregoing, in the event that Declarant constructs (or any Townhome Lot Owner constructs with ACC Approval) any privacy fence around a patio area, the Townhome Lot Owner of such Lot shall be responsible thereafter for the maintenance of the patio and any landscaping or grassing enclosed by said privacy fencing. Exterior maintenance required by the Association hereunder shall not include the cleaning of patios, walkways, stoops or driveways on the Townhome Lots, all of which shall be the responsibility of the Townhome Lot Owner. The determination of the need, quality, extent and cost of such maintenance and repairs shall be made by the Board of the Association, which determination shall be reasonable and made upon consistent and non-arbitrary principles adopted by the Board.

PROVIDED HOWEVER, Declarant shall have the right to unilaterally amend this Section of the Declaration prior to the conveyance of any completed townhome dwelling on a Townhome Lot to an individual Owner to provide for changes in the maintenance responsibilities for Townhome Lots.

Section 2. Maintenance by Owners Other than Townhome Lot Owners. Except as provided in Section 1 hereinabove, each Owner shall, at all times, maintain, repair and otherwise be responsible for his Lot and all structures, parking areas, fences, landscaping and grass areas and other improvements thereon including portions of sidewalks located on or adjacent to the Lot. In addition, each Owner shall be responsible for maintaining any portion of his Lot not maintained by the Association and further, shall be responsible for maintaining any property located between the edge of the pavement of the Public Road, Private Road or Private Driveway and the boundary line of the Lot. Owners of Lots shall maintain their driveways providing access to Private Roads, Private Driveway or Shared Driveway serving their respective Lots and their private mail box located within the Private Roads between the Lot boundary line and the nearest curb or pavement edge. An Owner, whose Lot is directly serviced by a public water and sewer line, shall be responsible for maintenance, repair and replacement of sewer laterals and water laterals from the point of connection to the public main water and sewer distribution line to the house, whether located in the street, on another Lot or within an easement. An Owner whose Lot is serviced by a private sanitary sewer system shall be responsible for maintenance repair or replacement for sewer laterals and water laterals from the point of connection to the private main water and sewer distribution line to the house whether located in the street, on another Lot or within an easement. In addition, an Owner shall be responsible for maintaining any grinder pump required for a private or public sanitary sewer system. An Owner shall be responsible for replacement and reconstruction of improvements on his Lot required because of damage or destruction by fire or other casualty. Each Owner shall maintain, repair and replace the surface and subsurface drainage facilities, swales and appurtenances located on his Lot as may be necessary to maintain good and proper drainage of the property and other real property in the vicinity, except for such facilities the maintenance of which has been assumed by the City or other governmental entity. If any Owner, after Notice and Opportunity for Hearing, fails to maintain, repair and replace such drainage facilities, swales and appurtenances as required herein, the Association, at the expense of such Owner, shall maintain, repair and replace such drainage facilities, swales and appurtenances at the sole cost and expense of such Owner, and the Board, without the vote or written

consent of Members, may levy a Special Individual Assessment against such Owner to obtain reimbursement therefor as provided in Section 5 of Article V hereof.

No structure shall be placed or permitted to remain on any Lot which may damage or interfere with the use, maintenance, repair or replacement of such drainage facilities, swales and appurtenances and no Owner shall do any work, construct any improvements, place any landscaping or suffer the existence of any condition whatsoever which shall alter or interfere with the drainage pattern for the Lots or Common Area as established in connection with the approval of the subdivision map or maps applicable to Palisades Residential Property by the City, except to the extent such alteration in drainage pattern is approved in writing by the Architectural Control Committee and all public authorities having jurisdiction. All such drainage facilities, swales and appurtenances shall at all times be accessible to Declarant until Palisades Residential Property is completed and at all times shall be accessible to the Association and all persons installing, using, maintaining, repairing or replacing such drainage facilities, swales and appurtenances. Declarant may from time to time present for recordation in the official records of the City instruments showing approximate locations of subsurface storm drainage facilities and of subsurface groundwater drainage facilities. Owner shall be responsible for repairing/replacing any improvement damaged as a result of service or maintenance required within any easement, whether approved by the ACC or not.

Section 3. Maintenance by Townhome Lot Owners. Except as provided in Section 1(i) above, all repair, maintenance and replacement of the improvements and utilities located upon a Townhome Owner's Lot shall be the responsibility of the Townhome Lot Owner thereof. Without limiting the generality of the foregoing, and subject to the requirements of Article VIII and Article X of this Declaration, a Townhome Lot Owner shall be responsible for replacement and reconstruction of improvements on his or her Lot required because of damage or destruction by fire or other casualty. Each Townhome Lot Owner shall maintain, repair and replace, at his or her expense, all exterior light fixtures attached to the Owner's unit and all interior portions of the improvements which shall need repair, including bathroom and kitchen fixtures, light fixtures or other electrical or plumbing equipment, utility pipes, lines and fittings serving the Lot. Further, each Townhome Lot Owner shall repair, maintain and replace, at his or her expense, the heating and air conditioning systems servicing said Owner's unit, whether located on the Owner's Lot or in the Common Area adjacent to the Lot. Each Owner shall be responsible for interior pest control.

PROVIDED HOWEVER, Declarant shall have the right to unilaterally amend this Section of the Declaration prior to the conveyance of any completed townhome dwelling on a Townhome Lot to an individual Owner to provide for changes in the maintenance responsibilities for Townhome Lots.

Section 4. Wetlands Ordinances and Regulations. Portions of the Property may have been designated as "Wetlands" by the Corps of Army Engineers and may be shown as Wetlands or Streams on the recorded maps of the Property. The areas designated as Wetlands or Streams must be maintained as Wetlands in compliance with any applicable laws, ordinances and regulations

governing Wetlands until such time as changes to such laws, ordinances and regulations allow these areas to be maintained or developed in a condition or state other than as previously required of areas designated as Wetlands or Streams.

Section 5. Negligence. The cost of repair or replacement of any improvement to be maintained and kept in repair by the Association, which repair or replacement is required because of the act or omission of any Owner, shall be the responsibility of and paid for by such Owner.

Section 6. Right to Enter. In addition to the easements set forth in Article XII hereof, after reasonable notice to the occupant, the Association or its agents shall have access over and upon any Lot when necessary in connection with any violation, repair, maintenance, or replacement of improvements for which the Association is responsible or for the enforcement of this Declaration, and each Owner shall accept title to his Lot subject to such right of access of the Association or its agents. By way of illustration, and not limitation, the Association may repair, maintain and replace drainage facilities and/or drainage swales on a Lot.

Section 7. Failure to Maintain by Owner. All maintenance required by Owners under this Article XI shall be performed in a manner consistent with the Declaration, By Laws, Architectural Design Guidelines and all other applicable rules and regulations. If any Owner of a Lot fails properly to perform his or her maintenance responsibilities or removes trees, shrubs or any other vegetation without ACC's approval, the Association, after giving Owner a minimum of seven (7) days' written notice to cure the failure to maintain, shall have the right, but not the obligation, to enter such Owners Lot to maintain said Lot and assess all costs incurred by the Association against the Lot and the Owner thereof as a Special Individual Assessment as provided in Section 5 of Article V.

Section 8. Water Quality Plan and Environmental Governmental Requirements. As set forth in Section 8.10 of the Master Declaration, "Palisades is located in an environmentally sensitive area and the entire Property, or portions of the Property, are subject to specific governmental laws, ordinances and regulations governing wetlands, watershed areas, storm water management areas and other environmentally sensitive areas. In addition, the requirements of the Development Notes affect the use and development of the Property. All portions of the Property, including Lots, Golf Club, Master Common Areas and Neighborhood Common Areas must comply with the Development Notes and any applicable laws, ordinances and regulations, as they are amended, modified or terminated from time to time, governing such areas."

The Declarant has entered into a Water Quality Plan for The Palisades with the City of Charlotte and County of Mecklenburg. Each Owner of a Lot shall be responsible for maintaining his Lot and all improvements located thereon in a manner consistent with the requirements of the above-referenced Environmental Governmental Requirements and the Water Quality Plan.

ARTICLE XII

EASEMENTS AND OTHER RIGHTS

Declarant, in addition to any other easements granted or reserved herein, hereby reserves unto itself, its successors and assigns, and grants to the Association and any other persons or entities hereinafter set forth, the following non exclusive easements on, upon, over, across, through and under the Property. In addition, Declarant hereby reserves unto itself, its successors and assigns, the right, on behalf of itself and the Association, to grant additional easements on, upon, over, across, through and under the Common Areas and any portion of the Property owned by Declarant as deemed to be in the best interests of and proper for the Project, including, but not limited to, easements in favor of Declarant, the Association, any designees of the foregoing, the Owners, and all their family members, guests, invitees and lessees and to various governmental and quasi governmental authorities and agencies and private concerns for the purposes and uses hereinafter specified.

Section 1. Easements and Cross Easements on Common Areas. Declarant, for itself, its designees and the Association, reserves the right to impose upon the Common Areas henceforth and from time to time such easements and cross easements for ingress and egress, installation, maintenance, construction and repair of utilities and facilities including, but not limited to, electric power, telephone, cable television, antenna transmission, surveillance services, governmental and quasi governmental purposes, sewer, water, gas, drainage, landscape/irrigation, lake maintenance, storm water management, lighting, television transmission, garbage and waste removal, emergency services, and the like as it deems to be in the best interests of, and necessary and proper for, the Project or any portion thereof.

Section 2. Use of Common Areas. Declarant declares that the Common Areas are subject to a perpetual nonexclusive easement in favor of Declarant, the Association and their designees, the Owners and all their family members, guests, invitees and lessees, and appropriate governmental and quasi governmental agencies to use the Common Areas for all proper and normal purposes including, but not limited to, ingress, egress and access for the furnishing of services and utilities and for such use of the facilities as the same are reasonably intended in accordance with the terms of this Declaration and any Additional Declaration. If ingress or egress to any Lot or other portion of the Property is through any Common Area, any conveyance or encumbrance of such area is subject to this easement.

Section 3. Right of Way Over Private Roads and Private Driveways. Declarant hereby reserves, for the benefit of itself, its agents, employees, lessees, invitees, designees, successors and assigns, and grants to the Association, their agents, employees, lessees, invitees, designees, successors and assigns, and to each Owner of a Lot or Tract, their family members, guests, invitees, successors and assigns, and to each Occupant of a Lot or Tract, and to all governmental and quasi-governmental agencies and service entities having jurisdiction over the Property while engaged in their respective functions, a perpetual non exclusive easement, license, right and privilege of passage

and use, both pedestrian and vehicular, over and across the Private Roads and Private Driveways for the purpose of providing access, ingress and egress to and from, through and between the Property.

Section 4. Right of the Association and Declarant to Enter Upon the Common Areas and Maintenance Areas. Declarant hereby reserves for the benefit of itself, its successors in interest and assigns, and grants to the Association and all agents, employees or other designees of Declarant or the Association an easement for ingress, egress and access to enter upon or over the Common Areas and Maintenance Areas for the purposes of inspecting any construction, proposed construction, or Improvements or fulfilling the rights, duties and responsibilities of ownership, administration, maintenance and repair of Declarant or the Association, as appropriate. Such easement includes an easement in favor of the Association and Declarant to enter upon the Common Areas and Maintenance Areas now or hereafter created to use, repair, maintain and replace the same for the purposes for which they are initially designated or for such purposes as they are hereafter redesignated or as Declarant otherwise determines them to be reasonably suited. Notwithstanding the foregoing, nothing contained herein shall be interpreted as imposing any obligation upon the Association or Declarant to maintain, repair, or construct Improvements which an Owner is required to maintain, construct or repair.

Section 5. Easement for Encroachments. Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Association, the Owners, their successors and assigns, and to the Occupants of Lots, easements for encroachments, to the extent necessary, in the event any portion of the Improvements located on any portion of the Property now or hereafter encroaches upon any of the remaining portions of the Property as a result of minor inaccuracies in survey, construction or reconstruction, or due to settlement or movement. Any easement(s) for encroachment shall include an easement(s) for the maintenance and use of the encroaching Improvements in favor of Declarant, the Association, the Owners and all their designees,

Section 6. Maintenance Areas. Declarant hereby reserves, for the benefit of itself, its successors in interest and assigns, and grants to the Association, its successors and assigns, the following nonexclusive perpetual easements over certain areas of the Property as hereinafter described for the purposes hereinafter described:

(i) Easements for the purposes of landscaping and maintaining entryways and erecting and maintaining entrance monument(s), including guard houses, if any, for the Project, over, across and under those portions of the Property shown and designated as "Entry Easement" on the Plats (herein referred to as the "Entrance Monument Easements"). Declarant and/or the Association shall have the right to landscape and maintain the areas of the Property so designated as entryways to the Project, to erect and maintain entrance monument(s) thereon bearing the name of the Project, and to erect and maintain lighting for such monument(s), plantings, landscaping, irrigation systems and other improvements typically used for entryways.

(ii) Easements for the installation, maintenance, repair and removal of landscaping and landscaping improvements, including signage, walls, fences, monuments and irrigation systems, over, across and under those portions of the Property shown and designated as "Landscape Easements" on the Plats (herein referred to as "Landscape Easements").

(iii) Easements for the installation, maintenance, repair and removal of sidewalks, over, across and under those portions of the Property shown and designated as "Sidewalk Easements" on the Plat or those portions of the Property where sidewalks are constructed or located and/or referenced in a note on the plat (herein referred to as the "Sidewalk Easements").

(iv) Easements for the installation, maintenance, repair and replacement of any portion of the private sanitary sewer system, including sewer lines, lift stations and other sanitary sewer improvements, over, across and under portions of the Property including Common Area and Lots wherever such private sanitary sewer system improvements are physically located.

(v) Easements for the installation, maintenance, repair and removal of driveways, over, across and under those portions of the Property shown and designated as "Private Driveway Easements" on the Plat (herein referred to as the "Private Driveway Easements").

All of the above described areas and items shall herein be referred to as the "Maintenance Areas." The Association shall maintain the Maintenance Areas to a consistent standard of maintenance typical of a first class development.

(vi) Easements for the purposes set forth in any note contained on any recorded Plat of the Property.

Section 7. Utility, Drainage Easements and Sidewalk Easements. The Property shall be subject to all easements and rights of way for utilities and drainage shown on the Plats, including, but not limited to, those certain easements shown and designated on the Plats as:

- (a) "Utility Easement";
- (b) "Public Storm Drainage Easement";
- (c) "Sanitary Sewer Easement";
- (d) "Sanitary Sewer Right of Way";
- (e) "Sidewalk, Landscape or Entrance Easements";

- (f) "Private Driveway Easements"; and
- (g) other easements designated on the Plats.

Such easements are hereby reserved for the use of Declarant, its successors and assigns, and are hereby established for the use of the Association, its successors and assigns.

Additionally, Declarant hereby reserves, for the benefit of itself, its successors and assigns, and grants to the Association, its successors and assigns, a non exclusive easement and right-of way over, under and along (a) a five (5) foot strip of land adjacent to the front, side and rear boundary lines of all Lots within the Property and (b) all Landscape Easements, for the installation and maintenance of lines, conduits, pipes and other equipment necessary for furnishing electric power, as, telephone service, cable service, water, irrigation, sanitary sewer and drainage facilities, storm drainage and/or other utilities. Within the above described easements no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation of utilities, unless approved by the ACC. In no event shall improvements change the direction or flow of drainage channels or create erosion problems in the easements. Any improvements or obstructions placed within easements shall be subject to removal or relocation without replacement as may be necessary for emergency service or maintenance operations by the Association or appropriate governmental authority. Such approved improvements shall be done at the Lot Owner's risk of removal.

This reservation of easements shall not prohibit the construction of driveways, at locations approved by the Architectural Control Committee, over such easements.

Section 8. Declarant's Right to Assign Easements; Maintenance of Easement Areas. Declarant shall have the right to assign and convey, in whole or in part, the easements reserved by it hereunder. The areas burdened by the easements and rights of way reserved by Declarant on each Lot or other portion of the Property pursuant hereto, including any Improvements in such areas, which are not to be maintained by the Association or a public authority or utility, shall be maintained continuously by each Owner of such Lot or other portion of the Property. Declarant and/or the Association may exercise the rights reserved in Article XI hereof for the purpose of enforcing the provisions of this Section 8.

Section 9. Easement Reserved for the Association and Declarant. Full rights of access, ingress and egress are hereby reserved by Declarant for itself and the Association at all times over and upon any Lot, Common Area or other portion of the Property for the exercise of the easement rights described in this Article XII and for the carrying out by Declarant or the Association of the rights, functions, duties and obligations of each hereunder; provided, that any such entry by Declarant or the Association upon any Lot or portion of the Property shall be made with the minimum inconvenience to the Owner of such property as is reasonably practical, and any damage caused as a result of the gross negligence of Declarant, the Association or their employees or agents shall be repaired by Declarant or the Association, as the case may be, at the expense of Declarant or the Association, as the case may be. This shall not apply to damages to property or improvements located on or over established easements or rights-of-way that may be damaged, removed or

relocated as required for emergency or easement maintenance. The Lot Owner shall be responsible for the repair/replacement of improvements and for identifying and/or locating any underground improvements within easement or right-of-way areas upon request.

Section 10. Additional Easements. Declarant shall have the right to grant over, under, across and upon any portion of the Property owned by Declarant, and the Board shall have the authority, in its sole discretion, to grant over, under, across and upon the Common Areas, such easements, rights of way, licenses and other rights in accordance with or to supplement the provisions of this Declaration or as may otherwise be desirable for the development of the Project, by the execution, without further authorization, of such grants of easement or other instruments as may from time to time be necessary or desirable. Such Easements and their granting may be by recordation of Plats with the location and easement purposes listed thereon or by additional easement language in a Supplementary or Additional Declaration. After such time as the members of the Board are no longer appointed by Declarant, the Board shall cooperate with Declarant and execute such grants of easements over the Common Areas as may be desirable to Declarant for the development of the Project and the preservation and enhancement of Declarant's interest therein.

Section 11. Community Systems Easements. Declarant reserves for itself, its successors and assignees, a perpetual right and easement to operate within Palisades Residential Property such Community Systems as Declarant, in its discretion, deems appropriate to service the buildings and the structures within any Lot or other portion of Palisades Residential Property. Such rights shall include, without limitation, Declarant's right to select and contract with companies licensed to provide telecommunications, cable television, and other Community Systems services in the region, and to charge individual users a reasonable fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules, and regulations of the relevant government authority, if applicable.

Section 12. No Merger of Easements. The easements hereby established shall not be terminated by merger or otherwise, except upon execution and recordation of an instrument specifically terminating any such easement.

Section 13. Private Driveway Easements. Declarant hereby reserves for the benefit of itself, its successors and assigns, and grants to the Owners of Lots accessed by Private Driveways, their successors and assigns, non-exclusive perpetual easements over, across and under those portions of the Property shown and designated as "Private Driveway Easements" on the plats for the installation, maintenance, repair of driveways, landscaping, benches, fencing or other improvements installed by Declarant and/or Association to provide ingress, egress and regress to and from Lots served by the Private Driveway and the Public or Private Road. In addition, all Owners shall have an easement of use over any portion of the Shared Driveway Easement intended for use by all Owners, i.e., sidewalk, benches and other improvements. The property lying between the actual location of the paved portion of the driveway and the Public or Private Road shall be maintained by the Association.

Section 14. Sidewalk, Landscape and Private Driveway Easement. Declarant hereby reserves for the benefit of itself, its successors and assigns, and grants to the Owners of Private Driveway Lots accessed by a Private Driveway, their successors and assigns, non-exclusive perpetual easements over, across and under those portions of the Property shown and designated as "Sidewalk, Landscape and Private Driveway Easement" on the plats for the use, installation, maintenance, repair of a driveway, sidewalks, fencing and other improvements to provide ingress, egress and regress, both pedestrian and vehicular to Private Driveway Lots. In addition, Declarant grants to all Owners of Lots and the general public, an easement for pedestrian access over any sidewalk located within the Sidewalk, Landscape and Private Driveway Easement. The Association shall maintain the Private Driveway, the decorative fencing, the sidewalk and all grass and landscaping within said Easement. The property lying outside the actual location of the paved portion of the driveway within the Sidewalk, Landscape and Private Driveway Easements shall be maintained by the Owners of Lots accessed by the Private Driveways located on the Sidewalk, Landscape and Private Driveway Easement.

Section 15. Private Road Entrance Landscape and Maintenance Easement. The Association may be granted a Private Road Entrance Landscape and Maintenance Easement by Timberlake Golf Club, LLC, the owner of the Palisades Country Club (the "Golf Club"), over portions of the Golf Club property for the purpose of erecting and maintaining entrance monuments, including walls, gates, signage, lighting and irrigation systems designed for the entrance into a portion of the Property and for the purpose of landscaping and maintaining the landscaping within the Easement. The use by the Association may not interfere with the use by the Golf Club of the cart path, if any, located within the Private Road Entrance Landscape and Maintenance Easement. The Association shall maintain liability insurance as provided in Article VII for the protection of the owner of the Golf Club.

In addition, Declarant reserves for the benefit of itself, its successor and assigns and grants to the Association, its successor and assigns, a non-exclusive easement over portions of Lots designated Private Road Entrance Landscape and Maintenance Easement (or similar wording, including Entrance Monument Easement) on Plats for the purpose of erecting and maintaining entrance monuments, including walls, gates, signage, lighting and irrigation systems designed for an entrance into a portion of the Property and for the purpose of landscaping and maintaining the landscaping within the Easement.

ARTICLE XIII

EMINENT DOMAIN (CONDEMNATION)

In the event of a taking of all or any portion of a Lot or all any portion of the Common Area by eminent domain, or by conveyance in lieu thereof, the awards paid on account thereof shall be applied in accordance with Section 47F-1-107 of the Act.

ARTICLE XIV

TERMINATION OF PLANNED COMMUNITY

Palisades Residential Property, a planned community under the Act, may be terminated only in strict compliance with Section 47F-2-118 of the Act.

ARTICLE XV

AMENDMENT

This Declaration may be amended only in strict compliance with the Act, including, without limitation, Section 47F-2-117 of the Act, except that no Amendment altering or impairing Special Declarant Rights may be made without the written consent of the Declarant.

ARTICLE XVI

GENERAL PROVISIONS

Section 1. Enforcement. The Declarant, the Association or any Owner, shall have the right to enforce, by any proceeding at law or in equity against any person or persons violating or attempting to violate any restriction, condition, covenant, reservation, lien and charge now or hereafter imposed by the provisions of this Declaration or any Declaration of Restrictions recorded pursuant to Article VIII hereof, either to restrain or to enjoin violation or to recover damages, and against the land to enforce any lien created by this Declaration. Failure or forbearance by the Declarant, the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Conflict with the Act; Severability. Should any of the terms, conditions, provisions, paragraphs, or clauses of this Declaration conflict with any provisions of the Act, the provisions of the Act shall control unless the Act permits the Declaration to override the Act, in which event the Declaration shall control. The invalidity of any covenant, restriction, condition, limitation, provision, paragraph or clause of this Declaration, or any part of the same, or the application thereof to any person or circumstance, shall not impair or affect in any manner the validity, enforceability or affect of the rest of this Declaration, or the application of any such covenant, restriction, condition, limitation, provision, paragraph or clause to any other person or circumstance.

Section 3. Amendment. Subject to the provisions of Article XVI hereof, the covenants and restrictions of this Declaration shall run and bind the land, for a term of twenty-five (25) 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 altered by a vote of seventy-five (75%) percent of a vote of the Owners after the expiration of said twenty-five (25) year period. This Declaration may be amended during the first twenty-five year period by an instrument signed by the

Owners of not less than seventy-five (75%) percent of the Lots, and thereafter by an instrument signed by the Owners of not less than seventy-five (75%) percent of the Lots; provided, however, that Declarant's rights hereunder may not be amended or altered without Declarant's prior written consent. Any amendment must be properly recorded and shall take effect only upon recording. For the purpose of this section, additions to existing property as provided in Article II, Section 2 hereof shall not constitute an "amendment".

Section 4. Interpretation of Declaration. Whenever appropriate, singular may be read as plural, plural may be read as singular, and the masculine gender may be read as the feminine or neuter gender. Compound words beginning with the prefix "here" shall refer to this entire Declaration and not merely the part in which they appear.

Section 5. Captions. The Captions herein are only for convenience and reference and do not define, limit or describe the scope of this Declaration, or the intent of any provision.

Section 6. Law Controlling. This Declaration shall be construed and controlled by and under the laws of the State of North Carolina.

Section 7. Notices. Any notice required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when mailed, by ordinary mail, post paid, to the last known address of the person who appears as Member or Owner on the records of the Association at the time of such mailing.

Section 8. Conflicts. In the case of any conflict between this Declaration and either the Articles of Incorporation or the By Laws of the Association, the Declaration shall control.

Section 9. Condemnation. Subject to the provisions of Article XIII hereof, in the event any Common Area or any portion thereof is made the subject matter of any condemnation or eminent domain proceedings or other sought to be acquired by a condemning authority, the proceeds of any award or settlement shall be distributed to the Association for the common benefit of the Owners and their mortgagees, as their interests appear.

Section 10. Disclaimer. Notwithstanding anything contained herein or in the Articles of Incorporation, By Laws, Rules or Regulations or any other document governing or binding the Association (collectively the "Association Documents"), the Association and the Declarant shall not be liable or responsible for, or in any manner a guarantor or insurer of, the health, safety or welfare of any Member, occupant or user of any portion of the Property, including, without limitation, Owners and their respective families, guests, invitees, agents, servants, contractors or subcontractors or for any property of any such persons. It is the express intent of the Association Documents that the various provisions thereof that are enforceable by the Association and govern or regulate the uses of the Property have been written, and are to be interpreted and enforced, for the sole purpose of maintaining the enjoyment of the Property. The Association and the Declarant are not empowered, and have not been created, to act as an entity which enforces or ensures any other individual's or entity's compliance with the laws of the United States, State of North Carolina or any other

jurisdiction or the prevention of criminal, tortuous or like regulated activities. Every Owner, by taking title to any part of the Property, covenants and agrees to hold harmless and to indemnify the Association and the Declarant, and their respective directors, trustees, officers, agents, parties and affiliates from and against all claims of any kind whatsoever by an invitee, licensee, family member, employee or other representative or agent of that Member for any loss or damage arising in connection with the use, ownership or occupancy of any portion of the Property.

Section 11. Notices and Disclaimers as to Community Systems. Any Community System and its providers, managers and operators may be subject to federal, state or municipal regulations, laws and ordinances. Such regulations, laws and ordinances may have a significant impact on certain aspects of the system including, but not limited to, the fees charged, the method of delivery, the rights of the system users, as well as the rights of the system providers or operators. These regulations and their impacts are beyond the Declarant's and Association's control.

In recognition of the fact that interruptions in cable television and other Community Systems services will occur from time to time, neither Declarant nor its successors or assigns shall in any manner be liable for, and no Community System user shall be entitled to a refund, rebate, discount or offset in applicable fees for, any interruption in Community Systems services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

Each Owner acknowledges and agrees that the Association, by virtue of contractual relationships with Community Systems providers, may gain access to information relating to individual use of the Community Systems, including account and content information. In recognition of this fact, each Owner waives any privacy rights he or she may have in such information and any claims against the Association, the Board and Declarant relating to the acquisition of such information. Further, each Owner acknowledges and agrees that the acquisition of such information by the Association shall not create any duty on the part of the Association or Declarant to any Person to act in any manner with respect to such information.

Notwithstanding the above or any other provisions in this Declaration, there is no guarantee or representation that any particular Community System will be made available.

Section 12. Construction Activities. All Owners, occupants, and users of Lots are hereby placed on notice that Declarant, Approved Builder, and/or their agents, contractors, subcontractors, licensees, and other designees, successors, or assigns, may, from time to time, conduct blasting, excavation, construction, and other activities within Palisades Residential Property. By the acceptance of a deed or other conveyance or mortgage, leasehold, license, or other interest, and by using any portion of a Lot or Palisades Residential Property generally, the Owners and all occupants and users of Lots acknowledge, stipulate, and agree (a) such activities shall not be deemed nuisances, or noxious or offensive activities, under any applicable covenants or at law generally; (b) not to enter upon, or allow their children or other Persons under their control or direction to enter upon (regardless of whether such entry is a trespass or otherwise) any property within or in proximity to the Lot where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours); (c) that Declarant, Approved Builder, and all of their agents, contractors, subcontractors, licensees, and other designees,

successors, and assigns, shall not be liable but, rather, shall be held harmless for any and all losses, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths arising from or relating to the aforesaid activities; (d) that any purchase or use of any portion of a Lot has been and will be made with full knowledge of the foregoing; and (e) this acknowledgment and agreement is a material inducement to Declarant and Approved Builder to sell, convey, lease, and/or allow the use of Lots within Palisades Residential Property.

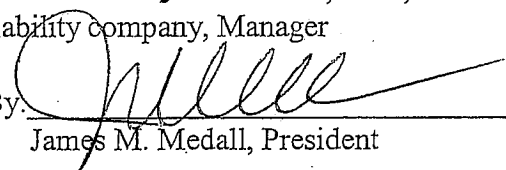
Section 13. No Liability for Third Party Acts. Owners and occupants of Lots, and their respective guests and invitees, are responsible for their own personal safety and for their property in Palisades Residential Property. The Association may, but is not obligated to, maintain or support certain activities within Palisades Residential Property which promote or enhance safety or security within Palisades Residential Property. However, the Association and Declarant shall not in any way be considered insurers or guarantors of safety or security within Palisades Residential Property, nor shall they be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including fire protection, burglar alarm, or other security monitoring systems, or any mechanism or system for limiting access to Palisades Residential Property, cannot be compromised or circumvented, nor that any such systems or measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Lot that the Association, the Board and its committees and Declarant are not insurers or guarantors of security or safety and that each Person within Palisades Residential Property assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties.

7th IN WITNESS WHEREOF, Declarant have caused this instrument to be executed as of this day of September, 2004.

RHEIN PALISADES, LLC, a North Carolina limited liability

By: Rhein Interest of Charlotte, LLC, a North Carolina limited liability company, Manager

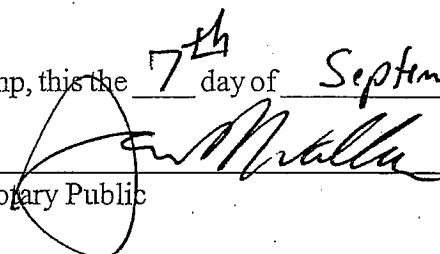
By: 
James M. Medall, President

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, the undersigned Notary Public of the State and County aforesaid, certify that James M. Medall personally came before me this day and acknowledged that he is President of Rhein Interests of Charlotte, LLC, a North Carolina limited liability company, itself the Manager of RHEIN PALISADES, LLC, a North Carolina limited liability company, and that he, as President, being authorized to do so, executed the foregoing on behalf of Rhein Interests of Charlotte, LLC, a North Carolina limited liability company, itself the Manager of RHEIN PALISADES, LLC, a North Carolina limited liability company.

Witness my hand and official seal or stamp, this the 7th day of September, 2004.



Notary Public

My Commission Expires: _____

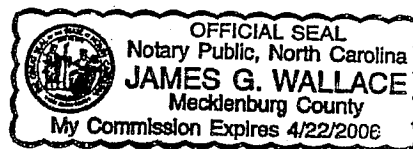


EXHIBIT A

Being all the property shown on record plats of The Palisades, Phase 1, Map 1 and Map 2 recorded in Map Book 41 at Pages 657 and 737 in the Mecklenburg County Public Registry.

DESIGNATION OF NEIGHBORHOOD:

All lots shown on the above-referenced maps shall be a part of the Ashton Oaks Neighborhood and the Private Driveway Assessments for the Lots in the portion of Ashton Oaks Neighborhood with Private Driveways on the above-described maps shall be a maximum of \$1,300.00 per Private Driveway Lot for the first assessment year as set forth in Paragraph C in Section 3 of Article V. It is anticipated that a portion of the Ashton Oaks Neighborhood will have a Private Road with Private Road Lots, which lots will be subject to Private Road Assessments and not Private Driveway Assessments.

EXHIBIT B
Additional Property

Lying and being in Mecklenburg County, North Carolina, and more particularly described as follows:

PARCEL I:

All or any portion of the property conveyed to Rhein Palisades, LLC by deed recorded in Book 14573 at page 594 in the Mecklenburg County Public Registry.

PARCEL II:

All or any portion of the property described in deeds recorded in Book 17493 at pages 202 and 207 in Book 17612 at page 296, and in Book 16651 at page 629 in the Mecklenburg County Public Registry.

PARCEL III:

Any property located adjacent to or contiguous to the Property described on Exhibit A hereof or described as Parcels I and II hereinabove or located within one-half (½) mile of the Parcel I property.

EXHIBIT C

ARTICLES OF INCORPORATION

OF

**PALISADES RESIDENTIAL PROPERTY
HOMEOWNERS ASSOCIATION OF MECKLENBURG, INC.**

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purpose of forming a non-profit corporation and hereby certifies:

ARTICLE I

NAME

The name of the corporation is Palisades Residential Property Homeowners Association of Mecklenburg, Inc., hereinafter called the "Association".

ARTICLE II

REGISTERED/PRINCIPAL OFFICE AND INITIAL AGENT

The registered/principal office of the Association is located at c/o Robert C. Rhein Interests, Inc., 5200 77 Center Drive, Suite 141, Charlotte, Mecklenburg County, North Carolina 28217. The location of the registered office may be changed by a majority vote of the Board of Directors. The name of the initial registered agent at the above address is Mr. James M. Medall, Mecklenburg County.

ARTICLE III

PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate a pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance and preservation of the Palisades Residential Property Common Area and other areas required to be maintained by the Association pursuant to the terms and conditions of the hereinbelow referenced Declaration of Covenants, Conditions and Restrictions for Palisades Residential Property, and to promote the health, safety and welfare of the residents within the above described property and any additions thereto as may hereafter be brought within the jurisdiction of this Association, and for this purpose to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions for Palisades Residential Property (the "Declaration") to be recorded in the Mecklenburg County Public Registry, as the same may be amended from time to time, said Declaration being incorporated herein as if set forth at length;

(b) fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;

(c) have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise.

ARTICLE IV

FINANCE

This corporation is a non-stock corporation and no part of the profits (if any) of the corporation shall inure to the pecuniary benefit of its members or to any other person.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS

Every person or entity who 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 contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

The voting rights of the membership shall be provided in the Declaration and By-Laws of the Corporation.

ARTICLE

BOARD OF DIRECTORS

The affairs of this Association shall be managed by an initial Board of three (3) Directors, who need not be members of the Association. The number of Directors may be changed by amendment of the By-Laws of the Association. The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

<u>Name</u>	<u>Address</u>
Richard A. Garner	5200 77 Center Drive, Suite 141 Charlotte, NC 28217
Maureen Floyd	5200 77 Center Drive, Suite 141 Charlotte, NC 28217
James M. Medall	5200 77 Center Drive, Suite 141 Charlotte, NC 28217

At the first annual meeting following conversion of Class B Lots to Class A Lots, the number shall be increased to five (5); and the members shall elect one (1) director for a term of one year, two (2) directors for a term of two (2) years, and two (2) directors for a term of three (3) years; and at each annual meeting thereafter, the members shall elect the number of directors needed to fill the space or spaces left by the director or directors whose terms are due to expire to serve for a term of three (3) years.

ARTICLE VII

DISSOLUTION

The Association may be dissolved only upon the signed written assent of the members entitled to not less than three-fourths (3/4) of the votes appurtenant to each Class A and Class B Lot (as said terms are defined in the Declaration). Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust, or other organization to be devoted to such similar purposes.

ARTICLE VIII

DURATION

The period of existence of this corporation is unlimited.

ARTICLE IX

AMENDMENTS

Amendment to these Articles shall require the assent of the members entitled to at least three-fourths (3/4) of the entire vote of the membership.

ARTICLE X

INCORPORATOR

The name and address of the incorporator is as follows:

James G. Wallace

2101 Rexford Road, Suite 100-E
Charlotte, NC 28211

IN WITNESS WHEREOF, I, the undersigned incorporator have hereunto set my hand and seal this _____ day of _____, 2004.

(SEAL)

James G. Wallace

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, the undersigned, a Notary Public for the County and State aforesaid, do hereby certify that James G. Wallace personally appeared before me this day and acknowledged the execution of the foregoing instrument.

WITNESS my hand and official seal this _____ day of _____, 2004.

Notary Public

My Commission Expires: _____

EXHIBIT D

BY LAWS

OF

**PALISADES RESIDENTIAL PROPERTY
HOMEOWNERS ASSOCIATION OF MECKLENBURG, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is Palisades Residential Property Homeowners Association of Mecklenburg, Inc., hereinafter referred to as the "Association." The principal office of the corporation shall be located at Charlotte, North Carolina, but meetings of members and directors may be held at such places within Mecklenburg County, North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

The Definitions set out in ARTICLE I of the Declaration of Covenants, Conditions and Restrictions for Palisades Residential Property recorded in Book _____ at Page _____ in the Mecklenburg County Public Registry as the same may be amended from time to time, are adopted as part of the By-Laws of the Association and are incorporated herein by reference.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

Section 2. The voting rights of the membership shall be appurtenant to the ownership of the lots. There shall be two classes of lots with respect to voting rights:

(a) Class A. Except as provided below, Class A Members shall be all Lot Owners except the Declarant. Class A Members shall be entitled to one (1) vote for each such Lot owned. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the vote appurtenant to said 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.

(b) Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to twenty (20) votes for each Lot located on the property in the Project owned by Declarant. Notwithstanding anything contained herein to the contrary, the Class B membership shall cease and be converted to a Class A membership on the earliest to occur of (a) the date on which Declarant no longer owns any part of the Property; (b) the date Declarant shall elect, in its sole discretion, that Class B membership cease and be converted to Class A membership (which election may be made, if at all, upon Declarant giving written notice of the election to the Board); or (c) December 31, 2015. The earliest to occur of (a), (b) or (c) above shall herein be referred to as the "Turnover Date." After the Turnover Date and for so long as Declarant owns any part of the Property, Declarant shall be a Class A Member.

ARTICLE IV

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporation of the Association but no later than March 31, 2005, and each subsequent regular annual meeting of the members shall be held no later than March 31 of each year thereafter.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President, Secretary or majority of the members of the Board of Directors, or upon written request of the members entitled to Ten Percent (10%) of the votes.

Section 3. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these Bylaws, a Substitute Annual Meeting may be called in accordance with Section 2 of this Article. A meeting so called shall be designated and treated for all purposes as the Annual Meeting.

Section 4. Place of Meetings. All meetings of the members shall be held at such place, within Mecklenburg County, North Carolina, as shall be determined by the Board of Directors of the Association.

Section 5. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, or by hand delivery, not less than 10 days nor more than 60 days before the date of the 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. Such notice shall specify the place, day and hour of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, any proposal to remove a director or officer and further, in the case of a special meeting, the exact purposes of the meeting, including the text of any proposals to be voted on at such special 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 6. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the votes appurtenant to the Lots shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. In the event business cannot be conducted at any meeting because a quorum is not present, that meeting may be adjourned to a later date of an affirmative of a majority of those present in person or by proxy. Notwithstanding, any provision to the contrary in the Declaration or the Bylaws, the quorum requirement at the next meeting shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

Section 7. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing, duly executed by the Lot Owner and filed with the Secretary. If a Lot is owned by more than one person, each Owner of the Lot may vote or register a protest to the casting of votes by the other Owners of the Lot through a duly executed proxy. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot. A Lot Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated. A proxy terminates eleven (11) months after its date, unless it specifies a shorter term.

Section 8. Informal Action by Members. Any action which may be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, and filed with the Secretary of the Association to be kept in the Association minute book.

Section 9. Parliamentary Procedures. At all meetings, "Roberts Rules of Order, Revised" shall govern for any question of procedure not covered by the Bylaws.

ARTICLE V

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by a Board of Directors.

Section 2. Number, Term and Qualification. The number of directors of the Association shall be three until the first annual meeting following conversion of Class B Lots to Class A Lots at which time the number shall be increased to five. At the first annual meeting following conversion of Class B Lots to Class A Lots the members shall elect one director to serve for a term of one year, two directors to serve for a term of two years and three directors to serve for a term of three years. At each annual meeting thereafter the members shall elect the one director needed to fill the space

or spaces left by the director whose term is due to expire for a term of three years. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies. Directors need not be members of the Association.

Section 3. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 4. Election. Except as provided in Section 6 of this Article, the directors shall be elected at the annual meeting of the members, 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 under the provisions of Article III of these By-Laws. The person receiving the highest number of votes shall be elected. Cumulative voting is not permitted.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association.

Section 6. Vacancies. A vacancy occurring in the Board of Directors may be filled by the selection by the remaining directors of a successor who shall serve for the unexpired term of his predecessor. The members may elect a director at any time to fill any vacancy not filled by the directors.

Section 7. Compensation. No director shall receive compensation for any service he may render to the Association in the capacity of director. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 8. Bonds. The Board of Directors may by resolution require any or all officers, agents and employees of the Association to give a bond to the Association with sufficient sureties conditioned on the faithful performance of the duties of their respective offices or positions and to comply with such other conditions as may from time to time be required by the Board of Directors.

Section 9. Declarant Control of Board of Directors. Until the first annual meeting of the Association following conversion of Class B Lots to Class A Lots all directors shall be appointed by the Declarant and shall serve at the will of the Declarant.

ARTICLE VI

MEETINGS OF DIRECTORS

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

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

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

Section 4. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

Section 5. Chairman. A Chairman of the Board of Directors shall be elected by the directors and shall preside over all Board meetings until the President of the Association is elected. Thereafter, the President shall serve as Chairman. In the event there is a vacancy in the office of the Presidency, a Chairman shall be elected by the Board of Directors to serve until a new President is elected.

Section 6. Parliamentary Procedures. At all meetings "Roberts Rules of Order, Revised" shall govern for any question of procedure not covered by the Bylaws.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

(a) suspend the voting rights of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association pursuant to the provisions of the Declaration;

(b) exercise for the Association all powers, duties and authority vested in or delegated to this Association, and not reserved to the membership by other provisions of these

By-Laws, the Articles of Incorporation, or the Declaration, including the powers set forth in Section 47F-3-102 of the Act;

(c) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without good cause;

(d) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and contract with a management company to manage the operation of the Association, and in the event a contract is entered into with a management company, such contract must be terminable by the Board of Directors without cause or penalty on thirty (30) days or less notice;

(e) employ attorneys to represent Association when deemed necessary;

(f) appoint and remove at pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by members entitled to at least one-fourth (1/4) of the votes appurtenant to Class A Lots.

(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 Unit at least thirty (30) days before January 1 of each year.

(2) send written notice of each assessment to every Owner subject thereto at least fifteen (15) days and before January 1 of each year;

(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 to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be

made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificates shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability insurance covering the Association in an amount determined by the Board and adequate hazard insurance on any real and personal property owned by the Association;

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

(g) cause the Common Area to be maintained to a level deemed appropriate by the Board;

(h) provide the maintenance of other areas as required by the Declaration of Covenants, Conditions and Restrictions; and

(i) insure compliance by Palisades Residential Property and the Owners of Lots in Palisades Residential Property with the Water Quality Plan and the Environmental Governmental Requirements set forth in the Declarations of Covenants, Conditions and Restrictions and the Master Declaration.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

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

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

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

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

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice

or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

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

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

President

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

Vice-President

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

Secretary

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

Treasurer

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

ARTICLE IX

COMMITTEES

The Association shall appoint a Nominating Committee as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose. The Board of Directors making the appointment of a committee shall designate a chairman of said committee.

ARTICLE X

BOOKS AND RECORDS

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

ARTICLE XI

ASSESSMENTS

As more fully provided in Article V of 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 Regular Annual Assessments, Special Assessments and Special Individual Assessments and as applicable Private Road Maintenance Assessments, Private Driveway Maintenance Assessments and Townhome Maintenance Assessments are made. Any assessments which are not paid when due shall be delinquent and shall be subject to late charges, interest and collection, including foreclosure, as provided in Section 10 of Article V of the Declaration. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Unit.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Palisades Residential Property Homeowners Association of Mecklenburg, Inc. 2004.

ARTICLE XIII

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present at a meeting duly called for such purpose in person or by proxy.

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

ARTICLE XIV

VIOLATION OF RULES AND REGULATIONS

Failure to abide by any Rules or Regulations published by the Association shall be grounds for an action, brought by the Association or any aggrieved Owner, to recover damages, or obtain injunctive and equitable relief, or both. In addition to these remedies, in the event of violation by an Owner of any rules or regulations, such Owner's voting rights and rights to use the recreational facilities may be suspended by the Board after a hearing at which the general requirements of due process shall be observed. The duration of such suspension shall be set by the Board and shall not exceed sixty days for each violation. Such hearing shall only be held by the Board after giving the Owner ten (10) days' prior written notice which specifies each alleged violation and sets the time, place and date of the hearing. A determination of the violation and the time of suspension or other sanction shall be made by a majority vote of the Board. The Owner shall have the right to appeal any adverse ruling of the Board and shall be entitled to a hearing *de novo* before the membership of the Association, at which the general requirements of due process shall be observed. Upon an appeal by an Owner of a decision by the Board, a special meeting shall be held within sixty (60) days from the decision by the Board, but the decision of the Board shall remain in effect unless overruled by a majority vote of the members present at the special meeting. Fines may also be imposed pursuant to the provisions of Section 47F-3-107A of the Act.

ARTICLE XV

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify any and all persons who may serve or whom have served at any time as directors or officers of the Association against any and all expenses, including amounts paid upon judgments, counsel fees and amounts paid in settlement (before or after suit is commenced), actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding in which they, or any of them, are made parties, or a party, which may be asserted against them or any of them, by reason of being or having been

directors or officers or a director or an officer of the Association, except in relation to matters as to which any such director or officer or former director or officer or person shall be adjudged in any action, suit, or proceeding guilty of willful and intentional negligence or misconduct in the performance of his or her duties to the Association. Provided, however, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association.

The provisions hereof shall be in addition to and not exclusive of any and all other rights to which any director or officer may otherwise be entitled under any law, By-law, agreement, vote of Association Members or otherwise. In the event of death of any officer or director, the provisions hereof shall extend to such person's legal heirs, representatives, successors and assigns. The foregoing rights shall be available whether or not such person or persons were in fact directors or officers at the time of incurring or becoming subject to such expenses, and whether or not the proceeding, claim, suit or action is based on matters which antedate the adoption of this By-Law.

ARTICLE XVI

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.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of Palisades Residential Property Homeowners Association of Mecklenburg, Inc.

THAT the foregoing By-Laws constitute the original By-Laws of said Palisades Residential Property Homeowners Association of Mecklenburg, Inc., as duly adopted at a meeting of the Board of Directors thereof, held on the ____ day of _____, 2004.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this ____ day of _____, 2004.

Secretary