

Drafted by/Mail to: D.R. Bryan, Jr., 5037 Linksland Dr.  
Holly Springs, NC 27540

NORTH CAROLINA ) MASTER DECLARATION OF COVENANTS,  
 ) CONDITIONS AND RESTRICTIONS OF  
ORANGE COUNTY ) SOUTHERN VILLAGE

THIS DECLARATION, made this 21 day of July, 1994, by  
SOUTHERN VILLAGE LIMITED PARTNERSHIP, a North Carolina Limited  
Partnership, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of certain property located in  
Chapel Hill Township, Orange County, North Carolina, which property  
is more particularly described as follows:

9778-96-1712 7.126.A.4  
9788-15-0912 7.126.A.4A  
9788-07-8290 7.126.A.4P

BEING KNOWN AND DESIGNATED as Tracts 1, 3, and 4 as shown  
on a plat entitled RECOMBINATION AND EXEMPT PLAT, SOUTHPARK  
AT CHAPEL HILL, as recorded in Plat Book 71, page 9, Orange  
County Registry, reference to which is hereby made for a  
more particular description.

WHEREAS, Declarant will convey the said property subject to  
certain protective covenants, conditions, restrictions, reserva-  
tions and charges as hereinafter set forth; and

WHEREAS, Declarant desires to create thereon a master planned  
community known as "SOUTHERN VILLAGE" which will contain a mix of  
housing types and uses as described in the Master Land Use Plan as  
approved by the Town of Chapel Hill and recorded in Deed Book 1197,  
page 481, Orange Co. Registry; and

WHEREAS, although Declarant contemplates that separate  
easements, covenants, conditions, and restrictions may be imposed  
in regard to various sections or phases of Southern Village and  
that separate owners' associations may be established in connection  
therewith, Declarant desires to impose pursuant hereto easements,  
covenants, conditions, and restrictions upon all of Southern  
Village, with the understanding that, at Declarant's option,

certain additional and/or supplementary easements, covenants, conditions, and restrictions may be imposed as hereinabove stated; and

WHEREAS, Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in said community and for the maintenance of the properties and the improvements thereon, and to that end desires to subject the real property as described above, together with any and all such additions as may hereafter be made thereto, to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each owner thereof; and

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities in said community to create an agency to which should be delegated and assigned the powers of owning, maintaining and administering certain community properties and facilities, administering and enforcing the master covenants, conditions and restrictions, collecting and disbursing the Master Association assessments and charges hereinafter created, and promoting the recreation, health, safety and welfare of the owners, residents, and tenants of Southern Village; and

WHEREAS, Declarant has incorporated under the laws of the State of North Carolina the Southern Village Master Association, Inc. as a non-profit corporation for the purpose of exercising the functions aforesaid, among others.

NOW, THEREFORE, Declarant hereby declares all of the property as hereinabove-described to be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, all of which shall run with the real property, shall be binding on all parties having or acquiring any right, title or interest in the described properties or any part thereof, and shall inure to the benefit of each owner thereof.

## ARTICLE I

### DEFINITIONS

Section 1. "Master Association" shall mean and refer to Southern Village Master Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Southern Village" shall mean and refer to that certain real property which is subject to this Master Declaration and any such additions thereto as may hereafter be brought within the jurisdiction of the Master Association.

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Section 3 "Common Area" shall mean and refer to all real property within Southern Village which is owned by the Master Association for the common use and enjoyment of all members.

Section 4 "Limited Common Area" shall mean those lands owned by a Sub-Association that serve only a limited number of units and which may include, but specifically are not limited to, driveways and walkways serving townhouse sites, parking spaces, buildings or other areas serving only specified units, and other such similar areas as may be designated by the Declarant. Limited Common Areas shall be maintained at the expense of the appropriate Sub-Association and not by the Master Association, subject to the rights held by the Master Association as hereinafter set out.

Section 5 "Lot" shall mean any numbered plot of land as shown on any recorded subdivision map of Southern Village, except for Common Area, Limited Common Area, and any dedicated public streets.

Section 6 "Unit" shall mean a building or other structure constructed on a lot, whether for residential, commercial, office, recreational, civic, or other permitted use.

Section 7 "Member" shall mean and refer to every person or entity entitled to membership in the Master Association or any Sub-Association, as contextually appropriate, as provided in this Master Declaration.

Section 8 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title or undivided interest in and to any lot which is a part of Southern Village, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 9 "Declarant" shall mean and refer to Southern Village Limited Partnership, as well as its successors and assigns, if such successors and assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 10 "Board of Directors" shall mean those persons elected or appointed to act collectively as the directors of the Master Association or any Sub-Association, as contextually appropriate.

Section 11 "VA" shall mean Veterans Administration and "HUD" shall mean Department of Housing and Urban Development.

Section 12. "Bylaws" shall mean the bylaws of the Master Association or any Sub-Association, as contextually appropriate, as they now or hereafter exist.

Section 13. "Sub-Association" shall mean and refer to any property owners' association formed or to be formed to oversee the development and maintenance of portions of Southern Village in accordance with the appropriate Supplementary Declaration.

Section 14. "Master Declaration" shall mean and refer to this Master Declaration of Covenants, Conditions and Restrictions of Southern Village, as the same may be amended from time to time as herein provided.

Section 15. "Supplementary Declaration" shall mean and refer to any Supplementary Declaration of Covenants, Conditions, and Restrictions which are specific to certain sections or phases of Southern Village as defined therein.

Section 16. "Dwelling Unit" shall mean and refer to a primary residence containing sleeping facilities for one or more persons and a kitchen.

Section 17. "Accessory Dwelling Unit" shall mean and refer to an auxiliary dwelling unit on a lot which contains sleeping facilities for one or more persons and a kitchen, except that no unit contained within the Apartment District shall be considered an accessory dwelling unit.

Section 18. "Apartment District" shall mean and refer to that property, including all improvements constructed or contemplated for construction thereon, designated as Tract 3 on the hereinabove-described plat of Southern Village.

Section 19. "Landscape Easement" or "Maintenance Easement" shall mean and refer to those areas so designated on any recorded plats of Southern Village which are not Common Areas or Limited Common Areas but within which the Master Association shall be responsible for the maintenance of landscaping or other improvements contained therein.

ARTICLE IICOMMON AREA AND LIMITED COMMON AREA  
OWNERSHIP AND MAINTENANCE

Section 1. Owners' Easements of Enjoyment. Every owner shall have a right of enjoyment in and to the Common Area and Limited Common Area, if any, which shall be appurtenant to and shall pass with the title to every lot.

Section 2. Delegation of Use. Any owner may delegate his right of enjoyment of the Common Area and facilities and Limited Common Area and facilities, if any, to the members of his family, his tenants, contract purchasers who reside on the property, or his guests.

Section 3. Rules and Regulations. The Master Association Board of Directors shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area, and the appropriate Sub-Association Board of Directors shall enjoy the same powers as to its Limited Common Area. Such rules and regulations, along with all policy resolutions and actions taken by the Board of Directors, shall be recorded, and such records shall be maintained in a place reasonably convenient to the members and available to them for inspection during normal business hours.

Section 4. Leasing Common Area and Limited Common Area Facilities. The appropriate Board of Directors shall have the power to lease the use of any recreational facility for functions, lessons or other special events, and to allow such lessee to charge admission or other fees for functions, lessons or other special events.

Section 5. Operating Common Area and Limited Common Area Facilities. The Board of Directors shall have the power to limit the number of guests, to regulate behavior and hours of operation, and to curtail any use or uses it deems necessary for either the protection of the facilities or the peace and tranquility of adjoining residents, except that in no case may any Board of Directors so limit, regulate or curtail use of any Limited Common Area so as to deny an owner ingress, egress, and regress and the full use and enjoyment of his property as permitted hereunder.

Section 6. Common Area and Limited Common Area Facilities Admission Fees. The Master Association or appropriate Sub-Association may charge reasonable admission and other fees for the use of any Common Area or Limited Common Area recreational facility.

Section 7. Suspensions. The Board of Directors shall have the power to suspend the voting rights and the right to use the Common Area or Limited Common Area facilities of a Class A member, or any person to whom that member has delegated his right of enjoyment, for any period during which any assessment against that member remains unpaid, and, for a period not to exceed thirty (30) days, for any infraction of its published rules and regulations, except that in no case shall a Board of Directors suspend any right to use any Limited Common Area so as to deny an owner ingress, egress and regress and the full use and enjoyment of his property as permitted hereunder.

Section 8. Declarant's Covenant to Convey Title to Common Area and Limited Common Area. Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the property designated Common Area and Limited Common Area, or portions thereof, to the Master Association or appropriate Sub-Association after completion by Declarant of improvements thereon, if any, and upon such time as Declarant determines that the Master Association or Sub-Association is able to maintain same, but, notwithstanding any provision to the contrary herein, such conveyance to the Master Association or Sub-Association shall be made no later than one year following the recordation of the plat upon which such Common Area or Limited Common Area is designated and identified.

Section 9. Mortgaging Common Area and Limited Common Area. The Master Association or appropriate Sub-Association shall have the power to borrow money for the purpose of improving the Common Area and facilities, or Limited Common Area and facilities, and, pursuant thereto, to mortgage the Common Area, Limited Common Area or any portion thereof, except that no Sub-Association shall be permitted to mortgage any Limited Common Area which is used to provide ingress, egress and regress to an owner served thereby and which Limited Common Area is essential for the full use and enjoyment of an owner's property as permitted hereunder. The execution of any such permitted mortgage shall require the same approval of the membership which is required for special assessments for capital improvements as set forth in Article V.

Section 11. of this Master Declaration. The rights of such mortgagee in said Common Area or Limited Common Area shall not be subordinate to the rights of the members.

Section 10. Common Area and Limited Common Area Dedication or Transfer. The Master Association or Sub-Association shall have the right to dedicate or transfer all of the Common Area or Limited Common Area or any part thereof 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 an instrument signed by members entitled to cast two-thirds (2/3) of the votes of the membership has been recorded, agreeing to such dedication or transfer, and unless written notice of the proposed action has been sent to every member not less than thirty (30) days in advance.

### ARTICLE III

#### LAND USE

Section 1. Restrictions. Each lot and the Common Area and Limited Common Area shall be subject to the restrictions contained in this Master Declaration and any applicable Supplementary Declaration and to those set forth in the bylaws of the Master Association and appropriate Sub-Association.

Section 2. Permitted Uses. Declarant has promulgated certain Design Guidelines which are explanatory and illustrative of Declarant's general intent for the development of Southern Village. The Design Guidelines, which may be supplemented and amended from time to time by Declarant, contain tables of permitted uses which are suggested by Declarant as appropriate or desirable within Southern Village. It is understood, however, that in any instance wherein one of the permitted uses as set out in the Design Guidelines conflicts with and is contrary to the applicable zoning and subdivision regulations then in effect for the Town of Chapel Hill, those municipal regulations will control the permitted use.

Section 3. Common Area and Limited Common Area Restriction. All Common Area and Limited Common Area recreational facilities and amenities shall be used, improved and devoted exclusively to recreational purposes for the benefit of the owners served thereby.

Section 4. Common Area and Limited Common Area Offensive Use. No immoral, improper, offensive or unlawful use shall be made of Southern Village, and any ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed.

Section 5. Common Area and Limited Common Area Construction or Alteration. No owner shall undertake, cause or allow any alteration or construction in or upon any portion of the Common Area or Limited Common Area unless directed by and with the express written consent of the Master Association or Sub-Association, as appropriate.

Section 6. Nuisance or Annoying Activity. No obnoxious or offensive activity shall be carried on in or upon Southern Village, nor shall anything be done which may be or may become a nuisance or annoyance to any owner or tenant within Southern Village. In addition, no owner shall store or keep, or permit to be stored or kept, a trailbike, motorcycle, motorized 3-wheel bike, tractor, truck, or other such motorized riding vehicle except one pick-up truck and one or more operational automobiles without specific written approval of the Master Association or Sub-Association, as appropriate. In granting such approval, the Master Association or Sub-Association may attach specific conditions which shall be binding on the owner and occupants of the lot.

Section 7. Parking. The Master Association or Sub-Association may regulate the parking of boats, campers, and trailers, and the placing of tents and other such items on the Common Area or Limited Common Area, including the provision of special facilities for which a reasonable charge may be made. No tractors, boats, campers, or trailers shall be regularly parked within the right-of-way of any street in or adjacent to Southern Village.

Section 8. Antennae. The erection of antennae or other structures designed for the receipt or transmission of television, radio, or other communication signals on any lot is specifically prohibited, except in the case of certain permitted commercial uses which might require such antennae, but in no event without the express written permission of the Architectural Review Board.

Section 9. Accessory Dwelling Units. It is Declarant's intent that Southern Village contain a mix of uses, including various residential types as well as various commercial and civic applications. However, no lot having less than fifty (50) feet of frontage on a public street shall be permitted to contain an

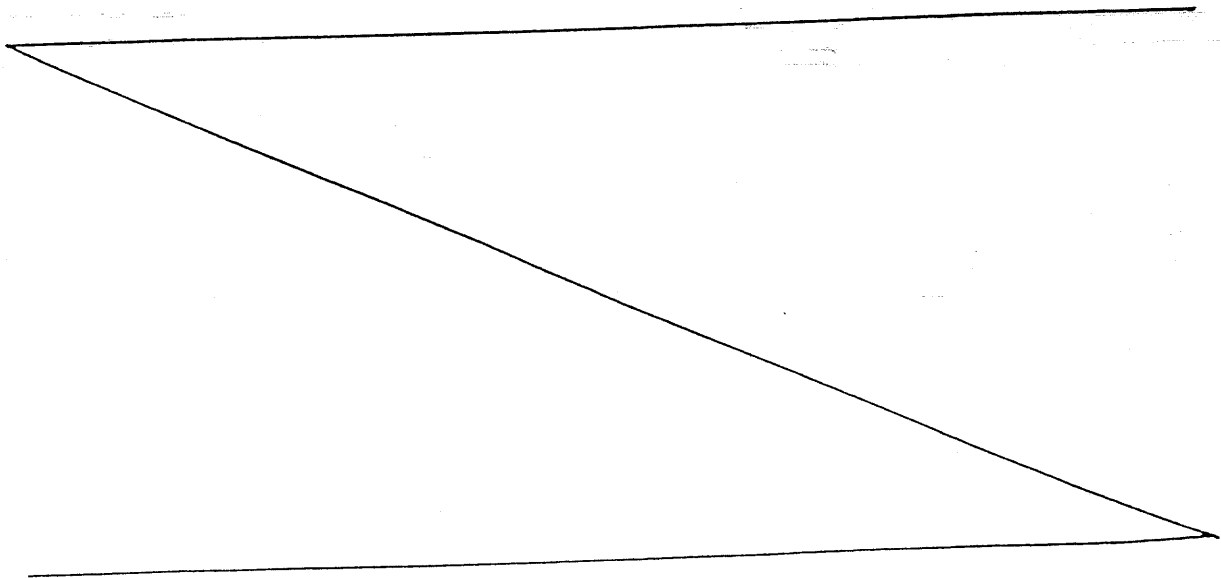


accessory dwelling unit, whether such lot be primarily used for residential or commercial purposes. Any lot containing an accessory dwelling unit must also contain two additional parking spaces beyond those provided for the primary use.

Section 10. Signs. No sign of any kind shall be displayed to the public view on any lot, except in the case of a lot containing a permitted commercial or civic use, and except further as follows:

- (a) one non-illuminated ground sign no larger than six square feet;
- (b) one non-illuminated attached or projecting wall sign no larger than six square feet; or,
- (c) one non-illuminated dropped awning sign projecting no further than six feet from the front wall of the building.

The foregoing shall not be construed to prohibit a building contractor from erecting a temporary sign to advertise construction on that lot, nor shall a licensed real estate broker be prohibited from erecting a temporary sign to advertise the property for sale or rent. Neither of such temporary signs shall be larger than six square feet, and each shall be removed immediately upon completion of improvements or the sale or lease of the property. Declarant shall not be prohibited from erecting signage to identify Southern Village or any section or phase thereof. No signage of any character shall be constructed, erected, or installed on any lot, Common Area, or Limited Common Area without the prior approval of the Architectural Review Board in accordance with the provisions hereinafter set out.



Section 11. Animals. No animals, livestock, or poultry shall be raised, bred, or kept on any lot, except that dogs, cats, and other household pets may be kept, but no for any commercial purposes, provided that, in the sole judgment of the Board of Directors having jurisdiction over that lot, such pets do not create a nuisance, such as by noise, odor, damage, or destruction of any property.

Section 12. Waste. No lot shall be used or maintained as a dumping ground for rubbish, trash, or garbage. No waste of any nature shall be kept on any lot except on a temporary basis in sanitary containers. Provided, however, that Declarant or the Master Association may designate one or more lots as a community yard waste/compost site, which site shall be designated as Common Area.

Section 13. New Construction. Construction of new buildings only shall be permitted on any lot, it being the intent of Declarant to prohibit the moving of any existing building onto any lot, the foregoing shall not prohibit the Architectural Review Board from approving the use of certain pre-existing architectural components should said Board determine, in its sole discretion, that such components are in keeping with and do not impact negatively on the general development scheme and appearance of Southern Village.

Section 14. Temporary Structures. No structure of a temporary character, such as a trailer, basement, tent, or shack, but in any event as such shall be defined in the discretion of the Architectural Review Board, shall be used at any time as a dwelling unit.

Section 15. Alleys. All alleys designated on recorded plats as "Private Access, Utility & Drainage Easement" shall be used primarily for access to the lots served thereby and for the installation and maintenance of certain dry utilities. All such private alleys shall be maintained in the same manner as Limited Common Areas, whether or not such designation shall appear on the recorded plat of same. All alleys designated on recorded plats as providing public access shall be dedicated, operated, and maintained in the same manner as any other public street within Southern Village.

Section 16. Refuse and Recyclables Collection. Collection of refuse and recyclables shall, except as hereinbelow provided, be by curbside pickup from rollcarts and bins initially provided by Declarant. The subsequent replacement of rollcarts and bins shall

be the responsibility of the appropriate Sub-Association, which may, in its sole discretion, require the member to replace the rollcart or bin at his own expense. Some lots may be served by private or shared dumpsters, compactors, or other such receptacles, in which case rollcarts and bins will not be provided by Declarant. All rollcarts, bins, and other receptacles shall be stored on a lot in an area suitably screened from public view as determined by the Architectural Review Board.

Section 17. Diligent Construction. All construction, landscaping, or other work which has been commenced on any lot must be continued with reasonable diligence to completion. No partially completed house, garage, building, or other improvement shall be allowed to exist on any lot, except during such reasonable period as is necessary for the completion of same.

Section 18. Lot Subdivision and Consolidation. No lot shown on any recorded plat of Southern Village may be subdivided by sale, lease, or otherwise without prior written consent of Declarant. Lot consolidation may be permitted by Declarant in its sole discretion.

Section 19. Utilities. All water, gas, sewer, electrical, telephone, television, and other utility lines, and all connections between the main utility line and the unit or other structures on the lot, shall be located underground and concealed so as not to be visible.

Section 20. Outdoor Structures. No outside clotheslines, tree houses, playhouses, swing sets and other play equipment, gazebos and other yard decorations, refuse/recyclables receptacles, transformers, or air conditioning and other mechanical equipment shall be erected or allowed to remain on any lot unless concealed behind approved screening or integrated into the building design so as to be inconspicuous, or as otherwise approved by the Architectural Review Board as compatible and harmonious with the surroundings. For example, any permitted solar equipment shall be roof-mounted on the rear of the structure, flush with the roof surface, with all appurtenances recessed into the structure's attic. The provisions of this section shall not be construed to prohibit Declarant from establishing certain Common Areas or Limited Areas as neighborhood parks or playgrounds with appropriate equipment, structures, and other improvements installed thereon.

Section 21. Recreational Facilities. No pool, tennis court, or other recreational facility shall be constructed on any lot without the prior written approval of Declarant.

Section 22. Governmental Approval. Nothing contained herein shall be deemed to be a waiver of any applicable governmental requirements or restrictions relative to the constructions of improvements on and/or the use of any lot.

## ARTICLE IV

### ARCHITECTURAL REVIEW

Section 1. Architectural Review Board. An Architectural Review Board ("ARB") consisting of at least three (3) persons, who are not except as provided hereinbelow required to be members of the Master Association or any Sub-Association, shall be appointed by Declarant at or prior to the conveyance of the first lot. At such time as Declarant conveys its last remaining lot, the ARB shall be appointed by the Board of Directors of the Master Association. Declarant or Board of Directors of the Master Association, as appropriate, may elect, at its option but subject to the rights of the Sub-Associations as stated below, to increase the number of members of the ARB from time to time. However, if not sooner appointed by Declarant, upon assumption by the Master Association of ARB control, each Sub-Association shall appoint one (1) representative to the ARB, thereby increasing the minimum number of ARB members. Those Sub-Association representatives shall serve with and have the same rights and obligations as the three (3) or more members previously appointed. In the event of the death or resignation of any ARB member, the authority which appointed that member shall designate and appoint a successor to serve the remainder of the departing member's term. Members of the ARB may be removed or replaced at any time, with or without cause and without prior notice, by the controlling authority (meaning the Declarant or Board of Directors of the Master Association or any Sub-Association, as appropriate). No member of the ARB shall be liable for claims, causes of action, or damages, except where occasioned by such member's negligence or wilful misconduct, arising out of services performed pursuant to this Master Declaration.

Section 2. Plan or Design Approval. No site preparation or initial construction, erection, or installation of any improvements, or any changes thereto, including but not limited to, dwelling or other units, outbuildings, garages, fences, walls,

signs, excavation, or changes in grades shall be undertaken on any lot unless the plans and specifications therefor, showing the nature, kind, shape, height, materials and location of the proposed improvements shall have been submitted to the ARB and expressly approved in writing. No subsequent alteration or modification of any existing improvements or construction, erection, or installation of additional improvements may be undertaken or allowed to remain on any lot without the review and express written approval of the ARB. The ARB may refuse approval of any plans, in whole or in part, for any reason, including purely aesthetic reasons, which shall in the sole and uncontrolled discretion of the ARB be deemed sufficient. The ARB shall establish minimum requirements for submission for approval, but shall have the authority to request such additional information as it may determine is necessary in order to make its decision. All rules, regulations, procedures, restrictions, and standards promulgated by the ARB shall supplement this Master Declaration and any Supplemental Declaration, and are incorporated herein by reference. The ARB shall at all times endeavor to be fair, reasonable, and uniform in its application of such rules, regulations, procedures, restrictions, and standards, and shall be responsive to technological advances and general changes in architecture, construction, and related conditions, and shall use its best efforts to balance the equities between matters of taste and design and the use of private property.

Section 3. Effect of Failure to Approve or Disapprove. In the event that the ARB fails to approve or disapprove the design of any proposed improvements within thirty (30) days after plans and specifications for same have been submitted to and received by it, approval will not be required and the provisions of this Article will be deemed to have been complied with fully; provided, however, that the plans and specifications required to be submitted shall not be deemed to have been received by the ARB if they contain erroneous data or fail to present adequate information upon which the ARB can base its decision.

Section 4. Right of Inspection. The ARB shall have the right, at its election, to enter upon any of the lots during preparation, construction, erection or installation of any improvements in order to determine that such work is in accordance with the approved plans and specifications. The ARB is authorized and empowered to inspect and review any and all aspects of the construction of any improvements on any lot which may, in its reasonable opinion, adversely affect the living enjoyment of other

owners or the general value and appearance of Southern Village. If any improvement is found to be in violation of the provisions contained herein, the ARB may require that owner to restore such nonconforming or unapproved improvements to the condition existing prior to such construction, including without limitation, the demolition and removal thereof. The ARB may undertake such demolition, removal, and/or restoration itself and shall then levy the cost thereof as a special assessment against the subject lot.

Section 5. Exterior Maintenance. The exterior maintenance of the unit and other improvements constructed upon the lot shall be the duty of the owner of such unit or lot, except as specifically provided otherwise in this Master Declaration or any Supplementary Declaration, and shall not normally be interfered with by the Master Association or any Sub-Association. The Owner shall be responsible for the maintenance, repair or replacement of any defective plumbing, water heaters, heating equipment, air conditioning equipment, lighting fixtures, and all other equipment and improvements located on his lot. If, however, in the opinion of the Master Association or appropriate Sub-Association, any owner shall fail to maintain any unit, lot or equipment as specified in a reasonably neat and orderly manner, or shall fail to keep same in a state of repair so as not to be unsightly, the Master Association or appropriate Sub-Association, at its discretion and after ten (10) days written notice to such owner, may enter upon and make or cause to be made any necessary repairs and maintenance to such unit or lot, including but not limited to removal of trash, cutting of grass, pruning of shrubbery, and seeding for erosion control. The Master Association, Sub-Association, or its agents shall have an easement for the accomplishment of the foregoing. Any costs incurred by the Master Association or Sub-Association in the making of such repairs and maintenance, plus a service charge in the amount of twenty (20%) percent of such costs, shall be added to and become a part of such other assessments to which the unit or lot is subject.

## ARTICLE V

### MEMBERSHIP AND VOTING RIGHTS IN A SUB-ASSOCIATION: MEMBERSHIP AND VOTING RIGHTS IN THE MASTER ASSOCIATION: ANNUAL AND SPECIAL ASSESSMENTS

Section 1. Membership in a Sub-Association. Whenever a Sub-Association shall have been established with respect to any portion of Southern Village, each and every owner of a lot, including

contract sellers, shall be a member of the Sub-Association which has jurisdiction over the phase or section of Southern Village in which such owner's lot is located. The foregoing does not include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and shall not be separated from any lot which is subject to assessment by the Master Association or any Sub-Association. The appropriate Board of Directors may make reasonable rules relating to the proof of ownership of a lot in Southern Village.

Section 2. Sub-Association Member Classes and Voting Rights.

The designation of classes of members in a Sub-Association and provisions regarding voting, quorum, notice requirements, and other applicable terms relating to such membership shall be included in the Supplemental Declaration for the portion of Southern Village over which that Sub-Association has jurisdiction and/or in the Articles of Incorporation and/or Bylaws of that Sub-Association.

Section 3. Membership in the Master Association. Each and every Sub-Association shall become a member of the Master Association upon the first conveyance to an owner of a lot within the section or phase of Southern Village over which such Sub-Association has jurisdiction. In addition, for so long as Declarant owns any part of Southern Village, Declarant shall also be a member of the Master Association. In addition, the owner of the Apartment District shall be a member of the Master Association and shall be subject to the same regulations and charges as all other Sub-Associations relative to membership in the Master Association.

Section 4. Right of Declarant to Representation on Board of Directors of Master Association and any Sub-Association.

Notwithstanding anything contained herein to the contrary, until December 31, 2014, or until Declarant shall have conveyed seventy-five percent (75%) of the lots contained within Southern Village, Declarant or its express assignee shall have the right to designate a two-thirds (2/3) majority of the Boards of Directors of the Master Association and any Sub-Association. Whenever Declarant shall be entitled to designate and select any person(s) to serve on any Board of Directors, the manner in which such person(s) shall be designated shall be as provided in the appropriate Supplementary Declaration, Articles of Incorporation, and/or Bylaws for the Master Association or Sub-Association. Declarant shall have the right to remove any person(s) so selected by it and to replace such person(s) so removed with another person(s) selected as herein provided. Any Director designated by Declarant need not be an

owner, Declarant, as a member of the Master Association or Sub-Association, or any representative of Declarant serving on a Board of Directors, shall not be required to disqualify himself from the vote upon or entrance into any contract or matter between Declarant and the Master Association or Sub-Association in which Declarant may have a pecuniary or other interest.

Section 5. Master Association Member Classes and Voting Rights. The Master Association shall have two (2) classes of voting members:

Class A. Class A members shall be each Sub-Association and shall not include Declarant. Class A members shall be entitled to one (1) vote for each \$100 in annual assessments paid to the Master Association. The vote for each Class A member shall be exercised as that member's representatives among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Class A member and no fractional vote may be cast with respect to same.

Class B. The Class B member shall be the Declarant. The Class B member shall be entitled to seven (7) votes for each lot in which it holds the required ownership interest and seven (7) votes for each full \$50,000 of assessed valuation of all undeveloped acreage subject to this Declaration, as such assessed valuation is determined by the appropriate governmental authority for ad valorem tax purposes as of January 1 of the applicable year; provided, however, that the Class B membership shall cease and be converted to Class A membership on the happening of the earlier of the following events:

- (a) The total votes outstanding in Class A membership equals the total votes outstanding in Class B membership; provided, however, that the Class B membership shall be reinstated with all the rights, privileges, responsibilities and voting power if, after the conversion of Class B membership to Class A membership as hereinabove provided, additional land is annexed to the properties without the assent of the members on



account of development of such additional land by Declarant, all in accordance with Article VII, Section 2, of this Master Declaration; or

(b) December 31, 2014.

Section 6. Voting Quorum and Notice Requirements for the Master Association. Except as may be otherwise specifically set forth in this Master Declaration or in the Articles of Incorporation and/or Bylaws of the Master Association, the vote of the majority of the aggregate votes entitled to be cast by all classes of members of the Master Association, present or represented by legitimate proxy at a legally constituted meeting at which a quorum is present, shall be the act of the Master Association. The number of votes present at a Master Association meeting that is properly called and that will constitute a quorum shall be as set forth herein or in the Master Association Bylaws.

Section 7. Voting Rights Suspension. The right of any Class A member to vote may be suspended by the Board of Directors of the Master Association for just cause pursuant to its rules and regulations and according to the provisions of Article II, Section 7, of this Master Declaration.

Section 8. Covenant for Assessments. The Declarant, for each portion or parcel of Southern Village owned by it, hereby covenants, and every other owner of any lot covered by this Master Declaration, including the owner of the Apartment District, by acceptance of a deed therefor, whether or not expressed in any such deed or other covenant, is deemed to covenant and agree to pay to the appropriate Sub-Association, each of which shall be fixed, established, and collected from time to time as hereinafter provided:

- (a) annual assessments or charges;
- (b) special assessments for capital improvements and/or other purposes; and,
- (c) individual special assessments levied against individual owners to reimburse the Master Association for extra costs for maintenance or repairs as set out in Article V, Section 12, of this Master Declaration.

Each Sub-Association shall, upon becoming a member of the Master Association, become liable for Master Association assessments as hereinafter set out. Unless specifically provided otherwise in this Master Declaration or any Supplementary

Declaration, all lot owners will remit payment for assessments directly to the appropriate Sub-Association, with that Sub-Association remitting to the Master Association payment for all Master Association assessments charged against it in accordance herewith.

Each such assessment on a lot, together with interest thereon and the costs of collection thereof, including attorney's fees, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which the assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees incurred by the Master Association or any Sub-Association in collecting delinquent assessments, shall also be the personal obligation of the person or entity who was the owner of such lot at the time the assessment became due. No owner may escape liability for any assessment through nonuse of the Common Area or Limited Common Area or through abandonment of his property. The obligation of an owner for delinquent assessments shall pass to his successors or assigns in title unless expressly excused by the Master Association or Sub-Association, except that such personal obligation shall not pass to mortgagees or trustees under Deeds of Trust of such successor owner or assignee.

Section 9. Purpose of Master Association and Sub-Association Assessments. The assessments levied by the Master Association and each Sub-Association shall be used exclusively for the purpose of promoting the beautification of Southern Village, the recreation, health, safety and welfare of the owners in Southern Village, the enforcement of this Master Declaration, any Supplementary Declaration, and the rules of the Master Association and Sub-Associations, and, in particular, the improvement and maintenance of the services and facilities of the Common Area, Limited Common Area, Landscape Easements, and Maintenance Easements. Anything contained in this Master Declaration to the contrary notwithstanding, until such time as the Class B membership shall cease and be converted to Class A membership, any costs associated with the initial construction and installation of improvements located in the Common Area, Limited Common Area, Landscape Easements, or Maintenance Easements shall be incurred by the Master Association or Sub-Association only after such initial improvements costs are approved by the majority of the votes of Class A members present or represented by proxy at a duly constituted meeting of Class A members at which a quorum is present.

Section 10. Annual Assessments. Each owner shall pay to the appropriate Sub-Association, or if none, to the Master Association, the annual assessment pursuant to this Master Declaration or as set

out in the appropriate Supplementary Declaration ("Sub-Association assessment"). All Sub-Association assessments shall be collected by the respective Sub-Associations, or by the Master Association where appropriate. On or before December 1 of each year, the Board of Directors of the Master Association shall set the amount of the Master Association assessment applicable to each Sub-Association for the ensuing year, taking into consideration, among other things, the then current development and/or maintenance costs to be borne by the Master Association, estimated increases in development and/or maintenance costs, and the future needs of the Master Association, which may include a reasonable contingency fund. The Master Association shall, immediately upon making such determination, provide written notice to each Sub-Association of the amount of the Master Association assessment due for the ensuing year. Upon receipt of such notice from the Master Association, each Sub-Association will immediately determine the amount of the Sub-Association assessment levied against each lot under its jurisdiction, subject to the rules, regulations, and limitations contained in the Master Declaration and the appropriate Supplementary Declaration. Written notice of each Sub-Association assessment shall be provided to each owner no later than January 15 of the ensuing year. The assessment(s) as applicable to each owner shall be as follows:

(1) Sub-Association Assessment Class I: All owners of single-family detached homes lots are required to pay Class I assessments to the Sub-Association having jurisdiction over that lot. The Class I assessment for 1995 is \$100.00 per lot.

(2) Sub-Association Assessment Class IA: All owners of lots subject to Class I assessments and whose lots also contain an accessory dwelling unit are required to pay Class IA assessments in addition to Class I assessments to the Sub-Association having jurisdiction over that lot. The Class IA assessment for 1995 is \$25.00 per lot.

(3) Sub-Association Assessment Class IB: All owners of lots subject to Class I assessments and whose lots are served by private alleys are required to pay Class IB assessments in addition to Class I assessments to the Sub-Association having jurisdiction over that lot, but such Class IB assessments shall be payable only in

those years or at such other times as the Sub-Association Board of Directors determines that the private alleys are in need of repair, maintenance, or improvement, at which time said Board of Directors will fix the Class IB assessment amount and levy same against the affected owners. There is no Class IB assessment for 1995.

(4) Sub-Association Assessment Class II: All owners of attached townhome lots are required to pay Class II assessments to the Sub-Association having jurisdiction over that lot. The Class II assessment for 1995 is \$360.00 per lot.

(5) Sub-Association Assessment Class III: All owners of lots located outside the Village Core Storefront District whose use is non-residential are required to pay Class III assessments to the Sub-Association having jurisdiction over that lot. The Class III assessment for 1995 is \$0.05 per square foot of building space. Class III assessments do not apply to owners who operate what is defined by the applicable municipal regulations as a "Home Occupation". Those owners will pay Class I, IA, or II assessments only, as appropriate hereunder.

(6) Sub-Association Assessment Class IIIA: All owners of lots subject to Class III assessments and whose lot also contains an accessory dwelling unit are required to pay Class IIIA assessments in addition to Class III assessments to the Sub-Association having jurisdiction over that lot. The Class IIIA assessment for 1995 is \$25.00 per lot.

(7) Sub-Association Assessment Class IV: All owners of lots located within the Village Core Storefront District and the Village Green Entranceway Transition District are required to pay Class IV assessments to the Sub-Association having jurisdiction over that lot. The Class IV assessment for 1995 is \$0.15 per square foot of building space.

(8) Sub-Association Assessment Class IVA: All owners of lots subject to Class IV assessments and whose lots also contain one or more accessory dwelling units are required to pay Class IVA assessments in addition to Class IV assessments to the Sub-Association having jurisdiction over that lot. The Class IVA assessment for 1995 is \$25.00 per accessory dwelling unit.

(9) Apartment District Assessment: The owner of the Apartment District is required to pay its assessment directly to the Master Association. The Apartment District assessment for 1995 is \$2000.00.

Beginning with assessment year 1996 and thereafter, the maximum annual assessment shall be established by the appropriate Board of Directors without approval of the members by an amount not to exceed fifteen percent (15%) of the maximum annual assessment allowable in the year immediately preceeding. The maximum annual assessment may be increased without limit by the affirmative vote of two-thirds (2/3) of each class of members who are voting in person or by proxy at a meeting duly called for this purpose. The appropriate Board of Directors may at any time fix the annual assessment at an amount not exceeding the maximum.

Section 11. Special Assessment. In addition to the annual assessments as authorized hereinabove, the Master Association or any Sub-Association may levy one or more special assessments applicable to that year only for the purpose of defraying the costs of construction or reconstruction, unexpected repair or replacement of any improvements located upon their respective Common Areas, Limited Common Areas, Landscape Easements, or Maintenance Easements, including the necessary fixtures and personal property related thereto, provided that any such special assessment shall have the assent of two-thirds (2/3) of the votes of each class of the members who are voting in person or by proxy at a meeting duly called for this purpose, with notice of said meeting having been sent to all members at least thirty (30) days in advance. Any such special assessment shall be assessed against the appropriate owners in the same manner and according to the same allocation formula as the regular annual assessments.

Section 12. Special Individual Assessments. The Master Association or any Sub-Association may levy special assessments against individual owners for reimbursement to the Master Association or Sub-Association for repairs to their respective Common Areas, Limited Common Areas, Landscape Easements, or Maintenance Easements or any improvements thereto which are occasioned by the willful or negligent acts of such owner(s) and not the result of ordinary wear and tear, or for payment of fines, penalties, or other charges imposed against an owner relative to such owner's failure to comply with the terms of this Master Declaration, any Supplementary Declaration, the Master Association or Sub-Association Articles of Incorporation and/or Bylaws, including without limitation, reimbursement to the Master Association for expenses incurred in connection with the enforcement of the provisions of Article VI of this Master Declaration.

Section 13. Initial Contributions. Each owner, except the owner of the Apartment District, who purchases a lot from Declarant shall, at the time of the closing of such purchase, contribute to each of the Master Association and the appropriate Sub-Association the sum of \$50.00, for a total initial contribution of \$100.00, which initial contributions shall be deposited into each respective Association's regular operating account. The owner of the Apartment District shall, at the time of the issuance of a Certificate of Occupancy by the Town of Chapel Hill for a building or buildings, pay to the Master Association the sum of \$5.00 for each dwelling unit contained therein as a initial contribution. Initial contributions shall not be considered to be advance payment of annual assessments, special assessments, or special individual assessments. Initial contributions are not payable by second or subsequent purchasers of a given lot, it being the intention of Declarant to collect such payments one time only.

Section 14. Date of Commencement of Annual Assessments: Due Dates. The annual assessments as herein provided shall commence as to all units or lots with the year 1995 and shall continue thereafter from year to year. Annual assessments shall be due and payable on or before the 15th day of February of each and every year. Any special assessments or special individual assessments shall be payable in accordance with the appropriate Board of Director's resolution authorizing same. Each owner shall be liable for the payment of all assessments beginning with the assessment next due after the closing of the purchase of his lot. Nothing contained herein shall prohibit any contract seller from arranging with his contract purchaser for the pro-rata reimbursement of any pre-paid assessments, but neither the Master Association nor any Sub-Association shall be liable to any party for such reimbursement. The Master Association and any Sub-Association shall, upon demand, furnish a written certificate setting forth the status of assessments applicable to a specified lot, and may make a reasonable charge for the issuance of such certificate. Such certificate shall be conclusive evidence of the status of the payment of assessments.

Section 15. Remedies for Non-Payment of Assessments. Any assessment which is not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days of the specified due

date, the assessment shall bear interest from the date of delinquency at the rate of eighteen (18%) percent per annum. The Master Association or any Sub-Association may bring an action at law against the owner personally obligated to pay such assessment or may foreclose the lien created herein in the same manner prescribed by the laws of the State of North Carolina for foreclosure of Deeds of Trust. Costs, interest, and reasonable attorney's fees as hereinabove provided shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for assessments by the nonuse of the Common Area or Limited Common Area or the abandonment of his lot. In the event of such action at law or in the event of the entrance of judgment against the owner in favor of the Master Association or Sub-Association, the Master Association or Sub-Association shall be further empowered to execute on such judgment in such manner and to the extent permitted by the laws of the State of North Carolina.

Section 16. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage Deed of Trust and to ad valorem taxes. Sale or transfer of any lot shall not affect the assessment lien; provided, however, that the sale or transfer of any lot pursuant to an order of foreclosure of a mortgage thereon, or any procedure in lieu of foreclosure, shall extinguish the lien of assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve a lot from liability or liens arising from assessments which become due thereafter.

Section 17. Exempt Property. Any portion of Southern Village dedicated to and accepted by a local public authority shall be exempt from assessments herein created; provided, however, that no land or improvements devoted to any private use as permitted hereunder shall be exempt from assessments.

Section 18. Annual Budget. By majority vote of the Directors, the Master Association and Sub-Association Boards of Directors shall each adopt an annual budget for the subsequent operational year which shall provide for the allocation of expenses in such manner that the obligations imposed by this Master Declaration and by any and all Supplementary Declarations will be

not, subject, however, to the limitations on amounts of assessments and provisions regarding the increase in same as contained in this Master Declaration, any Supplementary Declaration, and/or the Bylaws of the Master Association or any Sub-Association.

## ARTICLE VI

### EASEMENTS

Section 1. Walks, Drives, Parking Areas, Utilities, Etc. Southern Village, including all lots, Common Areas, Limited Common Areas, Landscape Easements, and Maintenance Easements, shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage, gas lines, telephone lines, electric power lines, television antennae lines, any other utilities, ingress, egress, regress, and otherwise, as shall be established by the Declarant or by its predecessors in title prior to the conveyance of the Common Areas and Limited Common Areas to the Master Association or appropriate Sub-Association. After such conveyance, the Association having jurisdiction shall have the power and authority to grant and establish further easements upon, over, under, and across the Common Areas and Limited Common Areas.

Section 2. Landscape Easements; Maintenance Easements. As shown on the recorded or to be recorded plats of Southern Village, certain areas which are not Common Areas or Limited Common Areas may be designated as Landscape Easements or Maintenance Easements. Declarant hereby reserves for itself, its successors and assigns, and then, without further assignment required, for the Master Association, an easement over, under, and across each of those areas so designated for the purposes of the installation, operation, maintenance, and repair of improvements located or to be located thereon, including all personal property which may be associated with such improvements, except for any such improvements or personal property for which a public utility or other public authority shall be responsible.

Section 3. Encroachments; Declarant's Easement to Correct Drainage. All lots, Common Areas, and Limited Common Areas shall be subject to easements for the encroachment of initial improvements constructed on adjacent lots by Declarant to the extent that such initial improvements actually encroach, including but not limited to, overhanging eaves, gutters, downspouts, exterior storage rooms, bay windows, steps, and walls. If such encroachment is a result of settling or shifting of any building or



of any permissible repair, construction, reconstruction, or alteration, there is hereby created a valid easement for such encroachment for the maintenance of same. For a period of twenty-five (25) years from the date of the first conveyance of a lot in any parcel, phase, or section of Southern Village, Declarant reserves a blanket easement on, over, and under the ground within that parcel, phase, or section for the maintenance and correction of drainage or surface water in order to maintain reasonable standards of health, safety, and appearance. Such easement expressly includes the right to cut any trees, bushes, or shrubbery, make any gradings of the soil, or take any other similar action as may be reasonably necessary. After such action has been completed, Declarant shall restore the affected area to its original condition to the extent practicable. Declarant shall give reasonable notice of its intent to take such action to the affected owner. These rights, easements and reservations are assignable by the Declarant.

Section 4. Private Alleys and Limited Common Areas. Private alleys and other Limited Common Areas may be created to serve the needs of units thereon. Such private alleys and other Limited Common Areas shall be subject to an easement in favor of every lot to which they are adjacent or which they are designed to serve and shall be deemed appurtenant to each lot whereby the owner of such lot shall be entitled to use them as a means of ingress, egress, and regress and for such other uses as may have been designated.

Section 5. Easement to the Governmental Authority. An easement is hereby established for municipal, state or other public utilities serving the area, and for their agents and employees, over all Common Areas and Limited Common Areas hereby or hereafter established for setting, removing and reading utility meters, maintaining or replacing utility or drainage connections, and acting with other purposes consistent with the public safety and welfare, including without limitation, police and fire protection.

## ARTICLE VII

### ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation by Master Association. Except as provided in Section 2 of this Article VII, additional lands may be annexed to Southern Village by the Master Association only if two-thirds (2/3) of the aggregate votes in each class of members are cast in favor of such annexation. In this particular case, the

Class B member shall be entitled to only one vote for each unit or lot owned and only one vote for each full \$50,000 of assessed valuation (as defined in Article V, Section 5, of this Master Declaration) of the undeveloped acreage subject to this Master Declaration. Written notice of the meeting duly called for this purpose shall be given to all members at least thirty (30) days in advance of the meeting date. The presence at such meeting of the members or authorized proxies entitled to cast, in the aggregate, sixty (60%) percent of the votes shall constitute a quorum. If the required quorum is not met, another meeting shall be called within sixty (60) days thereafter, subject to the same rules of notice as hereinabove set forth, with the required quorum at that meeting being one-half ( $1/2$ ) of that required for the first meeting. If a quorum is present and a majority of votes is cast in favor of annexation, but the majority is less than the two-thirds ( $2/3$ ) majority required for approval and it appears that the required two-thirds ( $2/3$ ) majority would be met if the members not present or voting by proxy would assent to the annexation, the members not present or voting by proxy may assent to or dissent from the proposed annexation in writing within one hundred twenty (120) days following the meeting date. At that time, if the number of votes actually cast at the meeting in favor of annexation together with the votes deemed to have been cast by members assenting to same shall constitute the required two-thirds ( $2/3$ ) majority, the annexation shall stand approved.

Section 2. Annexation by Declarant. Declarant may annex additional land to Southern Village in the following manner:

- (a) If within twenty (20) years of the date of incorporation of the Master Association Declarant should develop additional land within the boundaries as shown on the Master Land Use Plan for Southern Village as approved by the Town of Chapel Hill as of the date hereof, or submitted to VA or HUD, such additional land may be annexed to Southern Village without the assent of the members.
- (b) If within twenty (20) years of the date of incorporation of the Master Association Declarant should develop from time to time an additional tract or tracts other than as described in sub-

section 2(a) above but contiguous to such boundaries, such additional land may be annexed to Southern Village without the assent of the members; provided, however, that such annexation shall be approved by the Town of Chapel Hill if so required.

- (c) Declarant may annex to Southern Village additional land as described in subsections 2(a) and 2(b) above by the recordation in Orange County Registry of a Supplementary Declaration describing the land to be annexed and incorporating the provisions of this Master Declaration. The additional land will be deemed annexed to Southern Village as of the date of such recordation and no other action or consent by the members shall be required.
- (d) Subsequent to recordation of such Supplementary Declaration, Declarant shall deliver to the Master Association or Sub-Association a deed conveying any Common Area or Limited Common Area on the annexed land to the Master Association or Sub-Association, as appropriate.

## ARTICLE VIII

### GENERAL PROVISIONS

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

Section 2. Rights of Lenders and Insurers of First Mortgages. Lenders and insurers of first mortgages shall have the following rights:

- (a) In the event that any owner is in default in any obligation hereunder which remains uncured for a period of sixty (60) days, every lender who is a first mortgagee as to the lot of the defaulting owner, and every insurer of any such first mortgage, shall be notified immediately

of such default, provided that such lender and/or insurer shall have given written certified notice to the Master Association and the appropriate Sub-Association that it is a mortgagee or insurer as to the lot of such owner and shall have requested the notice of default as herein set forth.

- (b) Every first mortgagee and/or insurer of the first mortgage of a lot shall have the right to examine the books of the Master Association or appropriate Sub-Association during regular business hours.

Section 3. Duration of Covenants: Amendment by Owners. The covenants, conditions and restrictions of this Master Declaration shall run with and bind the land and shall inure to the benefit of and be enforceable by the Master Association, any Sub-Association, or the owner of any lot subject hereto, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date of recordation of this Master Declaration, after which time said covenants shall be automatically extended for successive periods of ten (10) years. This Master Declaration may be amended during the first forty (40) year period or thereafter by an instrument executed by not less than seventy-five (75%) percent of the members of the Master Association; provided, however, that the Board of Directors of the Master Association may amend this Master Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction, or to make any amendment requested by VA, HUD or Federal National Mortgage Association, without action or consent of the members, and such amendment shall be certified as an official act of the Master Association Board of Directors and recorded in Orange County Registry.

Section 4. Declarant's Consent to Amendment. Notwithstanding anything contained hereinabove, the written consent of Declarant to any amendment or modification to this Master Declaration or to any Supplementary Declaration must be obtained for any such amendment or modification made prior to December 31, 2014.

Section 5. Amendment to Achieve Tax-Exempt Status. Declarant, for so long as it controls the Board of Directors of the Master Association, and thereafter the Master Association Board of Directors, may amend this Master Declaration as shall be necessary in its opinion, without the consent of any owner and with the consent of VA or HUD, to qualify the Master Association, any Sub-

Association, or Southern Village, or any portion thereof, for tax-exempt status. Such amendment shall become effective at the time of its recordation in the Orange County Registry.

Section 6. Certification and Recordation of Amendment. Any instrument amending this Master Declaration, other than an amendment to correct an obvious error or inconsistency in drafting, typing or reproduction, shall be delivered, following approval by the members, to the Master Association Board of Directors. Thereupon, the Master Association Board of Directors shall, within thirty (30) days of delivery, do the following:

- (a) Reasonably assure itself that the amendment has been duly approved by the members as provided in Section 3 of this Article. For this purpose, the Board may rely on its roster of members without causing any title to be searched;
- (b) Attach to the amendment a certification as to its validity which shall be executed by the Master Association; and,
- (c) Cause the instrument to be recorded in the Orange County Registry.

Section 7. Effect and Validity of Amendments. All amendments shall be effective from the date of recordation in the Orange County Registry. Upon such recordation and certification by the Master Association Board of Directors, it shall be conclusively presumed that such instrument constitutes a valid amendment as to the owners of all lots in Southern Village.

Section 8. Exchange of Common Area or Limited Common Area. Notwithstanding any provision contained herein to the contrary, it is expressly provided that the Master Association or any Sub-Association may convey to Declarant, as well as to any other member, for fair market value, any portion of the Common Area or Limited Common Area previously conveyed to the Master Association or Sub-Association, as provided in the Articles of Incorporation of that Association. If required, any such conveyance shall be subject to the prior approval of VA or HUD. Upon such conveyance, the area conveyed shall cease to be subject to the provisions of this Master Declaration as it relates to Common Area and Limited Common. Any area so purchased by the Master Association or any Sub-Association pursuant to these terms shall become Common Area or

Limited Common Area, as appropriate, and shall be subject to the provisions of this Master Declaration as it relates to Common Area and Limited Common Area. The following hypothetical situation is by way of illustration only and not of limitation: Due to a surveying error, an area of undesirable drainage is designated as a dwelling unit lot. Pursuant to these terms, Declarant may convey to the Master Association said lot which will then become Common Area.

Section 9. Insurance Proceeds. The Master Association and any Sub-Association shall use the proceeds realized from any casualty insurance recovery to replace and/or repair the damage or destruction of any property, real or personal, which is covered by such insurance. Any balance remaining from those proceeds after satisfactory restoration of the affected property shall be retained by the Master Association or Sub-Association as a part of its general operating funds to be used for the purposes as delineated in this Master Declaration and any Supplementary Declaration. If such insurance proceeds should be insufficient to repair or replace any casualty loss or damage to covered property, the Master Association or Sub-Association may levy a special assessment as hereinabove provided to cover the deficiency.

Section 10. Protective Covenants for Multi-Unit Dwellings and Other Permitted Uses. Nothing contained herein shall affect Declarant's right to establish, from time to time, appropriate specific additional covenants for the development and use of lots, for attached or detached units or for any other permitted use within Southern Village.

Section 11. Conflicts. In the event of any irreconcilable conflict between this Master Declaration and the Bylaws of the Master Association or any Sub-Association, the provisions of this Master Declaration shall control. In the event of an irreconcilable conflict between this Master Declaration or the Bylaws of the Master Association or any Sub-Association and the Articles of Incorporation of same, the provisions of the Articles of Incorporation shall control.

Section 12. Severability. Invalidation of any one of the provisions of this Master Declaration by judgment or court order shall in no way affect any other provisions of this Master Declaration, which shall remain in full force and effect.

## ARTICLE IX

DISSOLUTION OR INSOLVENCY OF THE MASTER ASSOCIATION  
OR SUB-ASSOCIATION

The Master Association or any Sub-Association may be dissolved with the assent given in writing and executed by not less than two-thirds (2/3) of each class of its members. Upon dissolution other than incident to a merger or consolidation, the assets of the Master Association or Sub-Association shall be dedicated to an appropriate public agency to be used for purposes similar to those intended by the Master Association or Sub-Association. If such dedication is refused, the assets shall be granted, conveyed and assigned to any non-profit corporation, association, or trust or any other organization devoted to similar purposes.

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed and its seal affixed hereto, the day and year first above written.

SOUTHERN VILLAGE LIMITED PARTNERSHIP (SEAL)

by: SOUTHERN VILLAGE COMPANY, GENERAL PARTNER

by: \_\_\_\_\_

President



ATTEST: \_\_\_\_\_  
Secretary