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STATE OF NORTH CAROLINA
COUNTY OF ORANGE

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR FOX HILL FARM SOUTH

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR FOX HILL FARM SOUTH is made and entered into this 6th day of May, 1998, between and among RANDOLPH D. FOX, doing business as FOX HILL FARM, a sole proprietorship ("Developer" or "Declarant"), and PROSPECTIVE PURCHASERS, their heirs, successors and assigns of Lot Nos. S1 through S13, Fox Hill Farm South, as shown on plat of survey recorded in Plat Book 80, Page 67, Orange County Registry.

WITNESSETH THAT:

WHEREAS, the Developer is the owner of all that tract of real property located in Orange County, North Carolina, which tract has been subdivided into lots numbered S1 through S13, Fox Hill Farm South, as described on that certain plat of survey entitled "Final Plat, Fox Hill Farm - South", prepared by ENT Land Surveys, Inc., dated October 14, 1997, as revised, and recorded in Plat Book 80, Page 67, Orange County Registry, to which reference is hereby made for a more accurate description thereof (the "Property"); and

WHEREAS, the Developer is the developer of that certain residential subdivision located in Orange County, North Carolina commonly known as the Fox Hill Farm Community (as defined hereinafter); and

WHEREAS, the Developer recorded that certain Declaration of Covenants, Conditions and Restrictions for Fox Hill Farm in Book 938, Page 365, Orange County Registry (the "Master Declaration"), pertaining to the Fox Hill Farm Community; and

WHEREAS, the Property has been subjected to the Master Declaration; and

WHEREAS, the Developer proposes to develop the Property as a part of the Fox Hill Farm Community and to sell and convey the lots shown on the aforesaid plat for residential purposes; and

WHEREAS, Section 2.1 of the Master Declaration provides that each tract of land that becomes part of the Fox Hill Farm Community may have its own separate restrictive covenants; and

WHEREAS, the Developer, prior to selling and conveying the aforesaid Lots, desires to impose upon them the terms and conditions hereinafter set forth (sometimes collectively referred to herein as the "Declaration") for the benefit of all those who acquire title to any of said Lots. This Declaration of Covenants, Conditions and Restrictions herein set forth shall inure to the benefit of and be binding upon the Developer and each person, corporation or other entity, and the heirs, successors and assigns thereof, who acquire title to any of said Lots or title to any other property that may be subjected to the terms and conditions of this Declaration in the future;

NOW, THEREFORE, in consideration of the premises, the Developer hereby covenants and agrees with the PROSPECTIVE PURCHASERS of the aforementioned Lots, their heirs, successors and assigns, that Lot Nos. S1 through S13, Fox Hill Farm South, as shown on that plat of survey recorded in Plat Book 80, Page 67, Orange County Registry, to which reference is hereby made for a more accurate description of such Lots, shall be held, conveyed, encumbered,

leased, used, occupied and improved subject to the terms and conditions set forth herein. This Declaration of Covenants, Conditions and Restrictions shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in and to the said real property or any parts thereof. These Covenants, Conditions and Restrictions shall become a part of each instrument conveying or transferring any of the property or lots described in the plat referred to above as well as any other real property which may hereinafter be subjected to the terms and conditions set forth herein by an instrument duly recorded in the Office of the Register of Deeds of Orange County, North Carolina, as fully and to the same extent as if set forth therein. As a condition of the sale or conveyance of any of such Lots, as well as any other real property which may hereinafter be subjected to the terms and conditions set forth herein, the purchasers and their heirs, successors and assigns agree and covenant to abide by the terms of this Declaration.

ARTICLE ONE DEFINITIONS

SECTION 1.1 "Assessments" shall mean the General and Special Assessments for the upkeep and maintenance of the Special Amenities and to satisfy the Common Expenses as set forth herein, as may be levied by the Association.

SECTION 1.2 "Association" shall mean Fox Hill Farm South Homeowners Association, Inc., a nonprofit corporation organized pursuant to the laws of the State of North Carolina.

SECTION 1.3 "Board of Directors" shall mean the elected body governing the Association as provided by North Carolina corporate law.

SECTION 1.4 "Bylaws" shall mean the duly adopted Bylaws of the Association.

SECTION 1.5 "Common Areas" shall mean all real and personal property now or hereafter owned by the Master Association for the common use and enjoyment of all members of said association.

SECTION 1.6 "Common Expenses" shall mean the actual and estimated expenses of operating, managing and maintaining the Association and its real and personal property, including such reserve funds as may be found necessary or desirable by the Board of Directors.

SECTION 1.7 "Community-Wide Standards" shall mean the architectural, landscape, arboreal, vegetative and aesthetic standards of the Fox Hill Farm Community as determined and promulgated by the Design Review Committee, from time to time.

SECTION 1.8 "Declarant" or "Developer" shall mean Randolph D. Fox, doing business as Fox Hill Farm, a sole proprietorship, his heirs, successors and assigns.

SECTION 1.9 "Declaration" shall mean this instrument and any amendments thereto, unless otherwise specified.

SECTION 1.10 "Design Review Committee" shall mean the committee appointed by the board of directors of Fox Hill Farm Master Homeowner Association, Inc., from time to time, to establish Community-Wide Standards for the construction, alteration or improvement of property within the Fox Hill Farm Community, of which these Lots are a part, all as provided for in the Master Declaration.

SECTION 1.11 "Fox Hill Farm Community" shall mean the residential community and farm business described in the Master Declaration, as amended.

SECTION 1.12 "General Assessments" shall have the meaning set forth in Article V of this Declaration.

SECTION 1.13 "Lot" shall mean any one of Lot Nos. S1 through S13, Fox Hill Farm South, as shown on the plat of survey thereof referred to above. A Lot shall also include any lot which may be subjected to the terms and conditions of this Declaration and added to the Fox Hill Farm Community in the future. A Lot is sometimes referred to herein as "Property".

SECTION 1.14 "Master Association" shall mean Fox Hill Farm Master Homeowner Association, Inc., a nonprofit corporation organized pursuant to the laws of the State of North Carolina.

SECTION 1.15 "Master Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for Fox Hill Farm dated October 2, 1991, as amended, and recorded in Book 938, Page 365, Orange County Registry.

SECTION 1.16 "Member" shall mean and refer to a Person who is a Member of the Association. All Owners of the Lots defined herein shall automatically be Members of both the Association and the Master Association.

SECTION 1.17 "Owner" shall mean one or more persons who hold record title to a Lot, but excluding in all cases any party holding an interest merely as security for the performance of an obligation.

SECTION 1.18 "Person" shall mean a natural person, a corporation, a partnership, a limited liability company, a trust or other legal entity, and the heirs, successors and assigns thereof.

SECTION 1.19 "Property" shall mean and refer to the real property described in Exhibit A attached hereto and incorporated herein by this reference, and to such additional real property as may hereafter be subjected to this Declaration by the Developer, his heirs, successors or

assigns by an appropriate Amendment hereto.

SECTION 1.20 "Rules and Regulations" shall mean such rules and regulations as may be adopted by the Board of Directors, from time to time, governing the use and occupation of the Lots and the Special Amenities, and such rules and regulations as may be adopted by the board of directors of the Master Association, from time to time, governing the use of the Common Areas.

SECTION 1.21 "Special Amenities" shall mean Lot No. S13, as shown on plat of survey recorded in Plat Book 80, Page 67, Orange County Registry, consisting of a pond and surrounding lands and greenways, those private roads designated as Southwind Lane, Mill Pond Way and Glen Mist Trail, and those certain lands running along the Eno River. The Special Amenities shall be for the exclusive use and benefit of the Owners of a Lot and their families and guests, and not for the other residents of the Fox Hill Farm Community or the general public.

SECTION 1.22 "Special Assessments" shall have the meaning set forth in Article V of this Declaration.

ARTICLE TWO GENERAL PROVISIONS

SECTION 2.1 Property Subject to Declaration: Lot Nos. S1 through S13, Fox Hill Farm South, which are depicted on the plat of survey thereof prepared by ENT Land Surveys, Inc., dated October 14, 1997, as revised, and recorded in Plat Book 80, Page 67, Orange County Registry, to which reference is hereby made for a more accurate description thereof, are hereby designated as a part of the Fox Hill Farm Community and are expressly made subject to all of the terms and conditions of this Declaration and to the Master Declaration, both as may be

amended from time to time. The Developer may cause additional real property which he owns in Orange County, North Carolina, to be made subject to this Declaration and incorporated into the Fox Hill Farm Community by a writing duly recorded in the Office of the Register of Deeds of Orange County, North Carolina, all as provided by the Master Declaration.

SECTION 2.2 Homeowner Associations: The Master Association has been organized to own, manage and operate the Common Areas in the Fox Hill Farm Community, to enforce the terms of the Master Declaration (as well as any other restrictive covenants that may affect property in the Fox Hill Farm Community, from time to time), to maintain any roads (except those roads within the Special Amenities) and associated rights of way in the said Community that have not been accepted for maintenance by the North Carolina Department of Transportation, by Orange County, North Carolina, or by some other municipality and to make such Rules and Regulations as it deems necessary or desirable, from time to time, governing the use and occupation of said Community and the Common Areas.

The Association has been organized to own, manage and operate the Special Amenities, to enforce the terms of this Declaration, to maintain the private roads within the Special Amenities, and to make such Rules and Regulations as it deems necessary or desirable, from time to time, governing the use and occupation of the Lots and the Special Amenities.

SECTION 2.3 Membership In Associations: Each Owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in said deed (or by the acquisition of title to a Lot by any other means), is deemed to covenant and agree that he shall automatically become a member of the Association and a member of the Master Association, and shall be personally liable for all General Assessments and Special Assessments levied by the Board of Directors

against such Owner, from time to time, and shall be liable for all general assessments and special assessments levied by the board of directors of the Master Association against such Owner pursuant to the terms of the Master Declaration, from time to time. However, no Owner shall be liable for any assessment levied prior to the time the Owner acquired title to his Lot. Each Owner further covenants and agrees as follows with respect to the Association and the Master Association:

- (A) That each Owner of a Lot agrees to be bound by the terms and conditions contained in this Declaration, including the terms and conditions of the restrictive covenants affecting his Lot, the Articles of Incorporation of the Association, the Bylaws of the Association and the Rules and Regulations of the Association, all as may be amended, from time to time;
- (B) That each Owner of a Lot agrees to be bound by the terms and conditions contained in the Master Declaration, the Articles of Incorporation of the Master Association, the Bylaws of the Master Association and the Rules and Regulations of the Master Association, all as may be amended, from time to time;
- (C) That each Owner of a Lot will take any and all action necessary or desirable to remain in good standing as a Member of the Association and the Master Association;
- (D) That any and all unpaid Assessments levied by the Association or the Master Association against an Owner shall be a lien upon his Lot and improvements thereon and shall also be a personal obligation of each Owner so assessed;
- (E) That membership in the Association and the Master Association shall be appurtenant to and may not be separated from ownership of a Lot in the Fox Hill Farm Community,

and such membership shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to such Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the memberships in the Association and the Master Association appurtenant thereto to the new Owner thereof;

(F) That the Association, Master Association and each Owner of a Lot, their heirs, successors and assigns shall have the right to bring a proceeding at law or in equity against any Person or entity violating or attempting to violate any of the terms and conditions contained herein, either to restrain violation thereof or to recover money damages therefor. The remedies provided herein are cumulative and are in addition to any other remedies available;

(G) That an Owner of a Lot may delegate his rights under this Declaration to his family, his tenants or contract purchasers who reside on such Lot; and

(H) That each Owner of a Lot shall be subject to and bound by the requirements of the Community-Wide Standards for Fox Hill Farm (and the Design Review Guidelines contained therein), as amended from time to time, which are attached to the Master Declaration as Exhibit "B", and which are incorporated herein by reference.

SECTION 2.4 Variances: The Board of Directors in its absolute discretion may allow reasonable variances and adjustments to the terms and conditions contained herein in order to alleviate practical difficulties and hardship in their enforcement and operation. No variance shall violate the spirit or the intent of this Declaration. In order to be effective, a variance shall be set forth in a written instrument duly executed by the Association, shall specifically refer to this

Declaration and shall be recorded in the Office of the Register of Deeds of Orange County, North Carolina.

ARTICLE THREE
RESTRICTIVE COVENANTS

SECTION 3.1 Use of Lots: The following use restrictions shall apply to Lot Nos. S1 through S13, only, of Fox Hill Farm South, as shown on the plat hereinabove referred to:

(A) Single Family Residence: No residence may be erected on less than one Lot; however, one or more Lots may be used as a single building plot. Except as provided in Section 3.1(B) hereof, no Lot shall be subdivided; however, adjoining property Owners may adjust a common boundary line by the sale or exchange of property between such Owners provided that such sale or exchange otherwise satisfies the requirements contained herein. Except as otherwise provided herein, the Lots shall be used only for a single family residence with such customary outbuildings or other detached structures (including, but not limited to, a "mother-in-law" suite or non-rented apartment) as may be approved by the Design Review Committee.

(B) Re-Subdivision of Lot S12: Lot S12 of Fox Hill Farm South is currently being used as the personal residence of the Developer. For so long as the Developer, his heirs, successors or assigns, owns any right, title or interest in all or a portion of Lot S12 of Fox Hill Farm South, as shown on the plat hereinabove referred to, such Lot may be subdivided, from time to time, as determined by the Developer, his heirs, successors or assigns. The owner(s) of each subdivided portion of Lot S12 shall be an Owner as defined in this Declaration. Upon the conveyance by the Developer, his heirs, successors or

assigns of all of his right, title and interest in and to all portions of Lot S12 to a third party, such Lot (as may have been previously subdivided) may not be further subdivided.

(C) Professional Home Occupation: All Lots are single family residential lots and shall only be used for residential purposes (except as is provided herein for "Professional Home Occupations"). No shops, stores, factories, hospitals, clinics or business establishments of any kind shall be permitted to exist on any Lot.

A Professional Home Occupation may be conducted upon a Lot under the following conditions:

(1) Approval By Master Association: The board of directors of the Master Association must specifically approve a written request from an Owner to conduct a Professional Home Occupation on said Owner's Lot. Such approval shall be a conditional use of the Lot and shall be effective only as long as the Owner so requesting same owns and occupies said Lot as his personal residence. Subsequent Owners of said Lot must receive separate written approval of the board of directors of the Master Association to conduct a Professional Home Occupation;

(2) Maximum Number of Square Feet: A maximum of 1000 square feet of floor area may be used for any Professional Home Occupation;

(3) Design Review Committee Approval: If an outbuilding on a Lot is to be utilized for the purpose of conducting a Professional Home Occupation, such outbuilding and site plan must be approved by the Design Review Committee and the outbuilding and any requested parking shall be off the street and adequately screened from view of the road and adjacent property;

(4) Storage of Materials: No materials for use in any Professional Home Occupation shall be stored outside of a building;

(5) No On-Premises Sales: On-premises sales and delivery of goods are prohibited, except for goods incidental to the rendering of a service;

(6) Nuisances: No equipment or process shall be employed that will generate noise, odors, vibrations, glare or electrical interference detectable at the lot lines of the Lot upon which the Professional Home Occupation is conducted;

(7) Vehicular Traffic: A Professional Home Occupation shall not generate a significantly greater volume of vehicular traffic than would normally occur in a residential neighborhood. The decision as to whether a Professional Home Occupation is generating a significantly greater volume of vehicular traffic shall be made in the sole and absolute discretion of the board of directors of the Master Association, whose decision shall be final. The board of directors of the Master Association may revoke its approval to conduct a Professional Home Occupation if an Owner violates any restrictive covenant applicable to that Owner's Lot including, without limitation, the prohibition on excessive vehicular traffic;

(8) Home Occupation Permit: A Professional Home Occupation shall be allowed only after the Owner has obtained a Home Occupation permit issued by the zoning officer of the Planning Department for Orange County, North Carolina, or their successors in interest; and

(9) Assessment for Professional Home Occupation: In the discretion of the board of directors of the Master Association, an Owner who conducts a Professional Home

Occupation may be assessed up to twice the otherwise prorated share of the maintenance cost of the private roads and associated rights-of-way shown on the plat of survey for Fox Hill Farm South recorded in Plat Book 80, Page 67, Orange County Registry.

(D) Garages: Garages shall be for the use only of the occupants of the residence to which they are appurtenant and may be attached or detached from such residence. Each Lot shall contain a garage sufficient to hold at least two (2) vehicles and which shall be constructed at the same time as the residence on such Lot.

(E) Completion of Construction: When the construction of any building or other improvement is commenced, work thereon must proceed diligently and be completed within eighteen (18) months from the time construction began.

(F) No Temporary Buildings: No outbuilding, barn, stable, garage, shed, tent, trailer, basement or temporary building of any kind shall be erected, permitted or maintained prior to the commencement of the construction of a residence, as is permitted hereby, and no outbuilding, barn, stable, garage, shed, tent, trailer, basement or temporary building shall be used for permanent or temporary residence purposes; provided, however, that this paragraph shall not be construed to prevent the use of a temporary construction shed during the period of actual construction on such Lot or the use of adequate sanitary toilet facilities for workers during the construction period.

(G) Nuisance: No Owner of any part of the Property will do or permit to be done any act upon his Lot which is or may become a nuisance.

(H) Mobile Homes: No mobile homes or house trailers of any kind shall be placed on any Lot.

(I) Satellite Dishes: No exterior antennae, earth satellite station or dish, microwave dish or other similar improvement may be constructed, placed or maintained on any Lot without the prior written consent of the Design Review Committee.

(J) Hobbies and Activities: The pursuit of hobbies or other activities which include assembly or disassembly of motor vehicles and other mechanical devices which might tend to cause disorderly, unsightly or unkempt conditions shall not be pursued or undertaken on any part of any Lot where they might be visible at any time from any other Lot.

(K) Clotheslines: Outside clotheslines shall not be permitted upon any Lot in locations where they can be viewed by other Lot Owners or the public from any road or an adjacent Lot.

(L) Signs: Except for normal and customary "For Sale" signs not more than six (6) square feet, no sign of any character shall be displayed or placed upon any part of the Property unless expressly authorized by the Design Review Committee. The foregoing shall not act to restrict or prohibit the Developer from erecting or displaying signs advertising the Fox Hill Farm Community or any portions thereof.

(M) Animals: No animals of any kind shall be kept upon a Lot except for up to four (4) horses and a reasonable number of dogs, cats or other domesticated house pets, unless expressly permitted by the board of directors of the Master Association. Animals other than horses shall not be kept or bred for commercial purposes. Each owner shall be responsible for maintaining any animals kept on his Lot in good health and for securing all appropriate vaccinations, as required. The health and hygienic conditions of animals

kept on the Property are an ongoing responsibility of the respective Owners. Each Owner shall cause the animals kept on his Lot to receive the care and services of a duly licensed veterinarian, as needed. Failure to comply with the terms and conditions of this Section 3.1(M) shall be deemed to be a nuisance. Notwithstanding the foregoing, the cattle farming operation conducted on a portion of Lot S12 by the Developer or his heirs, successors or assigns shall not constitute a violation of this Section.

(N) Garbage Incinerators: No garbage incinerators shall be permitted.

(O) Trash Receptacles: Garbage, trash receptacles and refuse storage areas shall be in complete conformity with the requirements of the Design Review Committee.

(P) Changes in Topography: No substantial changes in the elevation or topography of the Property shall be made without the written approval of the Design Review Committee.

(Q) Weeds, Underbrush and Vegetation: No weeds, underbrush or other unsightly vegetation shall be permitted to grow or remain upon any part of the Property and no refuse pile or unsightly objects shall be allowed to be placed or suffered to remain thereon.

(R) Clearing of Trees: No clearing of trees will be allowed outside of the building envelope depicted on the plat of the Property subject to this Declaration except as may be necessary for proper forest management, sidewalks, driveways, septic systems and wells, or as otherwise approved in writing by the Design Review Committee.

SECTION 3.2 Motor Vehicles: No automobiles, trucks or other motor vehicles shall be permitted or stored upon any Lot unless they have a valid current license plate or are garaged in a manner approved in writing by the Design Review Committee. It is the intent of this covenant

to prevent the unsightly appearance of unused or abandoned vehicles upon any Lot.

SECTION 3.3 Garbage/Trash Containers: All garbage/trash containers and refuse storage areas shall be shielded from public view. Each Owner must make arrangements to have his garbage/trash picked up and removed to a suitable disposal site at least once each week.

SECTION 3.4 Maintenance of Lots: Each Owner shall maintain his Lot in a clean, orderly and attractive appearance. Maintenance shall include, but not be limited to, trimming shrubs, mowing grass, the removal of fallen trees and limbs, and the proper pruning, care and maintenance of any gardens located on a Lot.

SECTION 3.5 Private Road Maintenance: Each Owner of a Lot acknowledges that the roads depicted in Plat Book 80, Page 67, Orange County Registry, known as Southwind Lane, Mill Pond Way and Glen Mist Trail, are PRIVATE ROADS and are not intended to be accepted for maintenance by the North Carolina Department of Transportation or any other governmental body. As a result, the cost of maintenance and repair of said roads shall be borne by the Association. Except as provided in Section 3.1(C) above, the Association will assess each Owner equally for all costs and expenses incurred in maintaining the roads.

SECTION 3.6 Firearms: No recreational or other discharge of firearms shall be permitted upon any Lot.

SECTION 3.7 Above Ground Storage Tanks: No above ground tanks will be permitted for the storage of fuel, water, chemicals or other substances unless they are appropriately screened from public view, approved in writing by the Design Review Committee and comply at all times with the environmental laws and regulations of the United States of America and of the State of North Carolina.

SECTION 3.8 Underground Utilities: All utilities (e.g., electrical, telephone, cable television, gas, water and sewer) serving a Lot, a residence or other building or structure on a Lot, shall be underground unless the applicable utility involved prohibits underground installation. The installation of any above ground utility must have the prior written approval of the Design Review Committee.

SECTION 3.9 Restricted Access to Lots S1 and S2: Portions of Lots S1 and S2 front along St. Mary's Road (S.R. 1002). Unless approved by the Design Review Committee, vehicular access to Lots S1 and S2 directly from St. Mary's Road shall be prohibited. Vehicular access to Lot S1 shall only be by way of Southwind Lane. Vehicular access to Lot S2 shall only be by way of a driveway easement over Lot S13 as is depicted on that certain plat of survey recorded in Plat Book 80, Page 67, Orange County Registry. A separate driveway easement agreement shall be recorded in the Orange County Registry setting forth the improvement and maintenance responsibilities with respect to such driveway easement area.

SECTION 3.10 Separate Restrictive Covenants: As set forth in the Master Declaration, if additional property is subjected to the terms of this Declaration or the Master Declaration, such property may be subjected to separate restrictive covenants that are different from those set forth in this Article Three.

ARTICLE FOUR SETBACKS AND CONSTRUCTION REQUIREMENTS

SECTION 4.1 Setbacks and Construction Requirements: The following setbacks and construction requirements shall apply to Lot Nos. S1 through S13, only, of Fox Hill Farm South,

as shown on the plat hereinabove referred to:

(A) No single family residence shall be constructed on less than one Lot and no building or other structure shall be located on any Lot except within the setback lines depicted on the plat of said Lot which is recorded in the Office of the Register of Deeds of Orange County, North Carolina. If one or more Lots are combined with a contiguous Lot, the setback requirements applicable to the combined Lot shall be determined by the Design Review Committee.

(B) The minimum size of all single family dwellings shall be not less than two thousand eight hundred (2,800) square feet of heated finished living space, exclusive of porches, decks and garage space.

(C) No construction, alteration or improvement to a Lot or a change in its arboreal or vegetative conditions shall be made or commenced without the prior written approval of the Design Review Committee as is provided in the Community-Wide Standards, as amended from time to time, for the Fox Hill Farm Community.

(D) All driveways shall be paved for a minimum distance of thirty (30) feet from the edge of the existing street travel way, or as otherwise approved in writing by the Design Review Committee.

(E) If additional property is subjected to the terms of this Declaration or the Master Declaration, such property may be subjected to separate restrictive covenants which provide for setbacks and construction requirements that are different from those set forth in this Article Four.

ARTICLE FIVE
ASSESSMENTS

SECTION 5.1 Creation of Assessments: The Developer, for the Lots specified in this Declaration and any other property that may be subjected to this Declaration in the future, hereby covenants, and each Owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed (or by the acquisition of title to a Lot by any other means), is deemed to covenant and agree that for each Lot owned, in addition to the assessments levied by the Master Association pursuant to the Master Declaration, the Owner shall pay to the Association such Assessments for the upkeep, maintenance and expenses of the Special Amenities, insurance costs and operating expenses as shall be determined by the Board of Directors from time to time. There shall be two (2) kinds of Assessments, namely:

- (A) General Assessments; and
- (B) Special Assessments.

SECTION 5.2 General Assessments: General Assessments levied by the Association each year shall be used for the improvement, operation and maintenance of the Association property, the private road systems, insurance and to promote the recreation, safety and welfare of the Members. These Assessments shall be adequate to finance the operation and activities of the Association, to maintain the Special Amenities and other areas for which the Association is responsible and to maintain adequate repair and replacement reserves. General Assessments shall be allocated equally among all Lot Owners subject to this Declaration, except as is provided in Section 3.1(C) for any Professional Home Occupation and in Section 5.8.

SECTION 5.3 Special Assessments: In addition to General Assessments, the Association may levy a Special Assessment or Assessments during any fiscal year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Special Amenities or Common Areas, including the necessary fixtures and personal property related thereto, or for any other matter deemed necessary or desirable by the Board of Directors.

SECTION 5.4 Personal Obligation for Assessments: Each of the aforementioned Assessments, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person or Persons who was (were) the Owner(s) of such Lot at the time the Assessment was levied. The grantee or transferee of any such Owner shall not be liable for any portion of an Assessment that was due and payable at the time the grantee or transferee acquired title in or to such Lot. In addition, no first mortgagee who obtains title to a Lot pursuant to the remedies provided in his mortgage shall be liable for unpaid Assessments which accrued prior to said mortgagee's acquisition of title. Assessments shall be paid in such manner and on such dates as may be determined by the Board of Directors, from time to time. The Board of Directors shall also have authority to accelerate the balance owed on any Assessment if an Owner is delinquent in making the required payments.

SECTION 5.5 Computation of General Assessments: It shall be the duty of the Board of Directors, at least thirty (30) days prior to the Association meeting at which the budget shall be presented to the membership, to prepare an operating budget covering the estimated costs of operating the Association during the coming year. The budget may establish a reserve fund or funds in accordance with a separately prepared capital budget. The Board of Directors shall cause

a copy of the proposed budget and the amount of the General Assessment to be levied against each Owner for the following year to be delivered to each Owner at least fifteen (15) days prior to the Association meeting called for the purpose of approving the budget. Such budget and Assessments shall become effective unless disapproved by the vote of at least fifty-one percent (51%) of the vote of all then existing classes of Members of the Association at a meeting called for that purpose.

In the event the Members disapprove the proposed budget or the Board of Directors should fail, for any reason, to prepare and submit a budget for the succeeding year, then, and until such time as a budget shall have been determined as provided herein, the budget in effect for the then current year shall continue in force. In addition, the prior year's Assessment shall remain in force until a new budget is approved.

SECTION 5.6 Capital Budget: The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset and the expected repair or replacement cost of same during the succeeding fiscal year. The Board of Directors shall establish the amount sufficient to permit the Association to satisfy its projected capital needs, as presented in the capital budget. The amount so determined by the Board of Directors shall be included within the budget and Assessments as provided in this Article Five. A copy of the capital budget shall be distributed to each Member in the same manner as the operating budget.

SECTION 5.7 Lien for Assessments: If an Assessment, of any kind, is not paid within sixty (60) days of the due date established by the Board of Directors, such Assessment shall be delinquent and subject to an interest charge at the maximum interest rate permitted by law. The

interest shall be computed from the due date of the payment until the delinquent payment or payments are paid in full. Any Assessment remaining unpaid for more than sixty (60) days, together with interest, costs of collection thereof and reasonable attorneys' fees, shall constitute a lien upon the delinquent Lot when recorded in the Office of the Clerk of Superior Court of Orange County, North Carolina, in the manner provided in the General Statutes of North Carolina, as amended. This lien may be enforced by the Association in the manner provided by law. The Association shall have the power to bid for and acquire title to a Lot at a foreclosure sale and may then hold, lease, mortgage and convey the same. If the Association acquires title to a Lot under this Section 5.7, then:

- (A) no right to vote shall be exercised on its behalf;
- (B) no Assessments shall be levied against such Lot; and
- (C) each other Lot shall be charged, in addition to its usual Assessment, its pro rata share of the Assessment that would have been charged said Lot if it had not been acquired by the Association in a foreclosure sale.

Suit to recover a money judgment for unpaid Assessments and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing same. Any Owner who is delinquent in paying an Assessment may have his voting rights suspended until such time as the said Owner is no longer delinquent. The lien for Assessments provided for herein shall not be subordinate to the lien of any Mortgage except the lien of a first Mortgage given and made in good faith and for value that is of record as an encumbrance against said Lot prior to the recordation of a claim of lien for Assessments as provided for herein. The sale, conveyance or other transfer of a Lot shall not affect the lien for Assessments provided for herein nor shall such

sale, conveyance or other transfer diminish or defeat the personal obligation of the Owner for delinquent Assessments as provided in this Article Five. However, a sale or transfer of a Lot pursuant to a foreclosure or other judicial sale or proceeding in lieu of foreclosure, of a first Mortgage shall extinguish the lien for Assessments against said Lot which arose prior to the time of said foreclosure sale or transfer. Liens on account of Assessments which become due after such sale or transfer shall attach, be created, become effective and be foreclosed in accordance with the terms of this Article Five and the General Statutes of North Carolina.

SECTION 5.8 Property Not Subject to Assessments: The following real property shall be exempt from the Assessments created herein:

- (A) Portions of the Property dedicated to any public authority or agency; and
- (B) the Special Amenities.

SECTION 5.9 Mortgagee Protection Clause: No breach of the covenants, conditions or restrictions herein contained nor the enforcement of any lien provisions herein shall defeat the lien of any first mortgage made in good faith and for value; provided, however, said first mortgage was recorded in the Office of the Register of Deeds of Orange County, North Carolina prior to the recording in said Office of a claim of lien for Assessments by the Association or the Master Association. However, all of the covenants, conditions and restrictions contained herein shall be binding upon and effective against any Owner, his heirs, successors and assigns whose title is derived through foreclosure or other judicial sale or conveyance in lieu of foreclosure of any said first mortgage.

ARTICLE SIX
MEMBERSHIP AND VOTING RIGHTS

SECTION 6.1 Membership: Every Person who is the Owner of an interest in a Lot that is subject to this Declaration shall automatically be a Member of the Association and the Master Association. Membership shall be appurtenant to and may not be separated from such ownership. Members agree to be bound by the terms and provisions of this Declaration, the Master Declaration, the Bylaws of the Association and such Rules and Regulations as shall be promulgated, from time to time. Membership in the Association and the Master Association shall cease upon termination of an Owner's fee simple interest in said Lot. Provided, however, that a Member shall not include any Person who holds an interest merely as security for the performance of an obligation and the granting of a security interest in a Lot shall not terminate the Owner's membership. No Owner, whether one or more Persons, shall have more than one membership per Lot owned. The rights and privileges of membership, including the right to vote, may be exercised by the Member, but in no event shall more than one (1) vote be cast for each particular Lot. Such membership shall be appurtenant to the Lot giving rise to such membership and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to such Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association and the Master Association appurtenant thereto to the new Owner thereof. Each Member shall be subject to the Bylaws of the Association and any Rules and Regulations, all as may be amended, from time to time.

SECTION 6.2 Classes of Membership and Voting: The Master Association has two (2) classes of membership as set forth in the Master Declaration. For purposes of determining membership in the Master Association, the terms "Lot" and "Owner" as defined in this Declaration shall have the same meanings as in the Master Declaration.

The Association shall have two (2) classes of membership, Class "A" and Class "B", defined as follows:

(A) Class "A": The Class "A" Members shall be all Owners with the exception of the Class "B" Members, if any. Class "A" Members shall be entitled to one (1) vote for each Lot owned. There shall be only one (1) vote per Lot. The vote for any Lot shall be exercised by the Person specifically designated in a writing delivered to the Secretary of the Association prior to any Association meeting. The Person designated shall continue to have the right to exercise the vote for such Lot until such time as the said authorization is revoked by the Owner(s) in a writing delivered to the Secretary of the Association. The Board of Directors shall have authority to promulgate Rules and Regulations, from time to time, regarding the format and signatures required to designate the voting Member. Failure to designate the Person who shall exercise the vote for such Lot or an attempt to exercise said vote by more than one person or entity shall result in the automatic suspension of said Member's vote. This suspension shall continue in effect until the Person designated in a writing delivered to the Association by the Owner(s) is the only Person attempting to exercise the vote.

(B) Class "B": The Class "B" Member shall be Randolph D. Fox, or his heirs, successors and assigns, and he shall originally be entitled to twenty-five (25) votes. The number of

Class "B" votes shall be decreased by one (1) vote for each vote to which the Class "A" Members are entitled at any one time. The Class "B" Member shall be entitled to vote on any matter upon which Class "A" Members may vote. In any event, the Class "B" membership shall terminate and automatically be converted into Class "A" membership upon the happening of the first to occur of the following:

- (1) Twelve o'clock noon, local time, on December 31, 2015; or
- (2) When in his discretion, Randolph D. Fox or his heirs, successors or assigns so determine.

From and after the happening of the first to occur of the above events, the Class "B" Member shall be deemed to be a Class "A" Member entitled to one (1) vote for each Lot which he owns. The Association shall advise the Class "A" Members of the happening of the first to occur of the above events.

SECTION 6.3 Association Functions: There is hereby reserved to the Developer, and to the Association, or their duly authorized successors, agents, representatives and managers, such easements as are necessary or desirable to perform the duties and obligations of the Association as are set forth herein.

Every Member shall have a right and nonexclusive easement of use and enjoyment of the private roads depicted in Plat Book 80, Page 67, Orange County Registry, to which reference is made for a more accurate description, as well as any other private roads that may be subjected to the terms and conditions of this Declaration in the future.

The Association shall at all times, and the Developer shall during the period of time specified in Section 6.2(B), supra, have the right to grant and convey to any third party,

easements and rights-of-way in, on, over or under the Special Amenities for the purpose of constructing, operating or maintaining thereon: (1) underground or overhead lines, cables, wires or other devices for the transmission of electricity, electrical signals, lighting, power, telephone, cablevision and other appropriate purposes; and (2) public sewers, storm water drains, water systems, gas lines or any similar public or quasi-public improvements or facilities.

SECTION 6.4 No Warranty: This Declaration of Covenants, Conditions and Restrictions does not and shall not constitute, nor is it nor shall it be construed as a warranty, express or implied, on the part of the Developer or any other person, that the Fox Hill Farm Community will be expanded to include any particular property or lots not already made a part of the Fox Hill Farm Community.

ARTICLE SEVEN DURATION OF DECLARATION

This Declaration shall continue in full force and effect until twelve o'clock noon, local time, on December 31, 2015, after which time it shall automatically be extended for successive ten (10) year periods, unless an instrument in writing, signed by a majority of both the Class "A" and Class "B" Owners, revoking or terminating the same, shall be filed in the Office of the Register of Deeds of Orange County, North Carolina, within the twelve (12) month period preceding the beginning of each successive period of ten (10) years.

ARTICLE EIGHT LIBERAL CONSTRUCTION

This Declaration shall be construed liberally to affect its purpose of creating and

maintaining the Property as a part of the Fox Hill Farm Community, which is administered by the Master Association and at all times subject to the Community-Wide Standards.

ARTICLE NINE INSURANCE

SECTION 9.1 Ownership of Policies: All insurance policies upon the Special Amenities and other Association property shall be purchased by the Association, or its agent, for the benefit of the Association, the Owners and their mortgagees as their interests may appear. Owners may, at their option, obtain additional insurance coverage at their own expense upon their own real and personal property, for their personal liability and such other coverage as they may desire.

SECTION 9.2 Property Insurance: All buildings and improvements upon the Association's property and all personal property included in the term "Special Amenities" shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs or by ninety percent (90%) co-insurance blanket coverage or by such other form of policy as the Board of Directors shall determine, from time to time. Such coverage shall afford protection against: (1) loss or damage by fire or other hazards covered by a standard extended coverage endorsement; and (2) such other risks as the Board of Directors shall determine, including vandalism and malicious mischief.

SECTION 9.3 Public Liability Insurance: Public liability insurance shall be purchased by the Association, or its agent, in such amounts and with such coverage as the Board of Directors shall determine, from time to time, including but not limited to, an endorsement to cover the Owners. The Association may also purchase such additional types of insurance as it deems necessary or desirable.

SECTION 9.4 Premiums: Premiums for insurance policies purchased by the Association shall be paid by the Association and shall be assessed against the Owners as Common Expenses.

SECTION 9.5 Proceeds: All insurance policies purchased by the Association shall be for the benefit of the Association, the Owners and their mortgagees as their interest may appear. All insurance proceeds shall be payable to the Association as insurance trustee under this Declaration. The Association shall be the agent for every Person or entity having a beneficial interest in any insurance policy of the proceeds thereof. Exclusive authority to compromise and settle claims under insurance policies obtained by the Association on the Special Amenities shall be vested in the Association. The Association is also authorized to execute and deliver releases to any insurance carrier upon payment of a claim.

SECTION 9.6 Distribution of Insurance Proceeds: Proceeds of insurance policies purchased by the Association shall be payable to the Association, its successors or assigns, as insurance trustee, and shall be distributed to or for the benefit of the beneficial Owners in the following manner:

(A) Expenses of the Trust: All expenses of the insurance trustee shall be first paid or provisions made therefor.

(B) Reconstruction or Repair: If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purposes, shall be paid to defray the costs thereof. Any insurance proceeds in excess of the amount required to pay for the costs of repairs or reconstruction of the insured property, shall be retained by and for the benefit of the Association and held in a reserve account for capital improvements.

(C) Failure to Reconstruct or Repair: If it is determined that the damage or destruction for which the insurance proceeds are paid shall not be repaired or reconstructed, then the said proceeds shall be retained by and for the benefit of the Association and held in a reserve account for capital improvements.

ARTICLE TEN DAMAGE AND DESTRUCTION

SECTION 10.1 Estimating Cost of Repairs: Immediately after the damage or destruction of all or any part of the Special Amenities covered by insurance written in the name of the Association, the Association shall file and settle all claims arising under such insurance policies and obtain detailed estimates of the cost of repair or reconstruction of the damaged or destroyed Special Amenities.

SECTION 10.2 Property to be Repaired or Reconstructed: Any damage or destruction to the Special Amenities insured by the Association shall be repaired or reconstructed unless at least seventy-five percent (75%) of the voting Members of the Association shall vote not to repair or reconstruct the damaged property within ninety (90) days after the damage or destruction. No mortgagee shall have the right to participate in the determination of whether the damage or destruction shall be repaired or reconstructed.

SECTION 10.3 Property Not to be Repaired or Reconstructed: In the event that it is determined that the damage or destruction of Association property shall not be repaired or reconstructed and no alternative improvements are authorized, then, and in that event, the said property shall be restored to its natural state and maintained as an undeveloped portion of land by the Association.

SECTION 10.4 Insufficient Insurance Proceeds: If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and if such proceeds are insufficient to defray the costs thereof, the Board of Directors may levy a Special Assessment against all Owners in proportion to the number of Lots owned by such Owners. Additional Assessments may be made at any time during or following the completion of any repair or reconstruction to cover the costs of same.

ARTICLE ELEVEN
AMENDMENTS

SECTION 11.1 Amendment of Declaration: The terms and provisions of this Declaration may be amended only by the affirmative vote (in person or by proxy) of not less than sixty-five percent (65 %) of the Class "A" Members and sixty-five percent (65 %) of the Class "B" Members at a meeting of the Association called for that purpose. However, the percentage of voting power necessary to amend a specific Section shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that Section. Any such amendment must be recorded in the Office of the Register of Deeds of Orange County, North Carolina, to be effective. No amendment to this Declaration may revoke, limit or modify any right or privilege conferred upon Randolph D. Fox, his heirs, successors or assigns, without the prior written consent of the affected party. Nothing in this Article Eleven shall be construed to negate or restrict in any manner the right of the Developer, or his heirs, successors or assigns, to subject additional real property to this Declaration.

SECTION 11.2 Restrictive Covenants: Restrictive covenants affecting a separately designated residential area, which may hereafter be subjected to this Declaration or the Master

Declaration, shall be separately amendable in accordance with their terms and no such amendment shall be inconsistent with the provisions of this Declaration or the Master Declaration nor shall such amendment be considered to be an amendment to this Declaration or the Master Declaration.

ARTICLE TWELVE
MISCELLANEOUS

SECTION 12.1 Gender: The use of the masculine gender in this Declaration shall be deemed to refer to the feminine or neuter gender, and the use of the singular shall be deemed to refer to the plural, and vice versa, whenever the context so requires.

SECTION 12.2 Waiver: No provision contained in this Declaration shall be deemed to have been waived by reason of any failure to enforce same, irrespective of the number of violations or breaches which may occur.

SECTION 12.3 Invalidity: Invalidation of any of the covenants, restrictions or provisions of this Declaration by judgment, court order, statute or ordinance shall in no way affect any of the remaining provisions hereof and the same shall continue in full force and effect.

SECTION 12.4 Captions: The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Declaration nor the intent of any provisions hereof.

SECTION 12.5 Covenants Running with Land: The terms and provisions of this Declaration shall be deemed to be covenants running with the land embraced by the Property and shall be enforceable by the Association or the Owners, their heirs, successors and assigns from the date this Declaration is recorded in the Office of the Register of Deeds of Orange County, North Carolina.

SECTION 12.6 Enforcement: Enforcement of these restrictions and conditions shall be by proceedings at law or in equity against any Person violating or attempting to violate any covenant or condition affecting any of the Property, either to restrain violation thereof or to recover money damages therefor.

SECTION 12.7 Applicable Law: This Declaration shall be governed and construed under the laws of the State of North Carolina; provided, however, no conflict of laws rule shall operate to deprive the North Carolina courts of jurisdiction over the person or subject matter or to make the laws of another jurisdiction applicable.

IN WITNESS WHEREOF, the Declarant has affixed his hand and seal the day and year first above written.

Randolph D. Fox (SEAL)
RANDOLPH D. FOX, doing business as FOX HILL FARM,
a Sole Proprietorship, Developer

In order to acknowledge its consent to the terms and conditions of this Declaration and its willingness to assume the duties and obligations imposed upon it in the Declaration, Fox Hill Farm South Homeowners Association, Inc. has affixed its hand and seal the day and year first above written.

FOX HILL FARM SOUTH HOMEOWNERS
ASSOCIATION, INC.

(CORPORATE SEAL)

By: Randolph D. Fox
President

ATTEST:

By: Catherine C. McGhee
Secretary



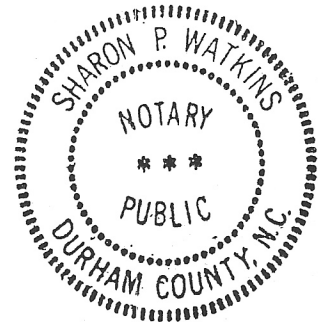
STATE OF NORTH CAROLINA
COUNTY OF DURHAM

I, SHARON P. WATKINS, a Notary Public for said County and State, certify that RANDOLPH D. FOX, doing business as FOX HILL FARM, a Sole Proprietorship, known to me to be the person described in the foregoing instrument, who personally appeared before me and executed the foregoing instrument, and he severally acknowledged the execution thereof to be his free act and deed for the uses and purposes therein expressed.

WITNESS my hand and official seal, this the 6th day of MAY, 1998.

Sharon P. Watkins
Notary Public

My Commission Expires:
MARCH 4, 2001



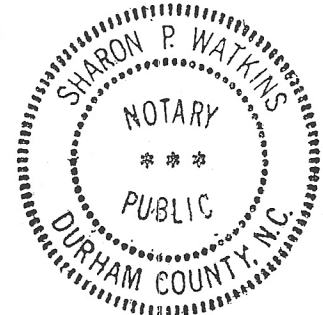
STATE OF NORTH CAROLINA
COUNTY OF DURHAM

I, SHARON P. WATKINS, a Notary Public for said County and State, certify that CATHERINE C. McGhee personally came before me this day and acknowledged that she is the — Secretary of FOX HILL FARM SOUTH HOMEOWNERS ASSOCIATION, INC., and that by authority duly given and as the act of the Association, the foregoing instrument was signed in its name by its — President, sealed with its corporate seal, and attested by her as its — Secretary.

WITNESS my hand and official seal, this the 6th day of MAY, 1998.

Sharon P. Watkins
Notary Public

My Commission Expires:
MARCH 4, 2001



whw\foxsouth.1

NORTH CAROLINA - ORANGE COUNTY

The foregoing certificate(s) of Sharon P. Watkins

EXHIBIT A

All those certain tracts of land located in Orange County, North Carolina and being more specifically described as follows:

BEING ALL of Lot Nos. S1, S2, S3, S4, S5, S6, S7, S8, S9, S10, S11, S12 and S13, as shown on that plat of survey entitled, "Final Plat, Fox Hill Farm - South", prepared by ENT Land Surveys, Inc., dated October 14, 1997, as revised, and being recorded in Plat Book 80, Page 67, Orange County Registry, to which recorded plat of survey reference is hereby made for a more accurate description of the metes, bounds, courses and distances of such property.